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Conglomerate dinosaurs roar with health

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Preventing conflict

EU searches for a role

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The threat to Japan's institutions

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Turkmenistan

Trapped between Russia and Iran

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World Business Newspaper http://www.FT.com WEDNESDAY JANUARY 14 1998

WORLD NEWS

Employers urge Paris to drop proposals for 35-hour week

French employers yesterday urged the government to abandon plans for a 35-hour working week, as unemployment protests continued. Five business groups said the move would "destroy jobs instead of creating them". Page 2

Action on Iraq stand-off
Russia and France sought to defuse the latest stand-off over UN weapons inspections in Iraq after Baghdad blocked a UN team led by an American it claimed was a spy. The Clinton administration said it was seeking a multilateral response, but would go it alone if necessary. Page 14; Oil price, Page 22

Mexican police fire on crowd
Mexican police fired on a crowd of Indian protestors in Chiapas state, killing one woman and wounding two people - including a two-year-old girl. Page 6

Hostage freed in Tokyo
A finance ministry official was released unharmed after being held hostage for six hours at the Tokyo stock exchange. His armed captor said he was protesting against "Big Bang" deregulation. Trading on the lower floors never stopped. Page 7

Oil platform blows over
Gales sent a petroleum superplatform crashing into a bridge in northwest Spain. The recently completed 50,000 tonne Discoverer Enterprise, built at the Astano shipyard, split the bridge which had been cleared of traffic.

Czech MPs approve watchdog
The Czech lower house of parliament legislated to set up a capital markets watchdog and reduce the influence of banks over non-financial companies. Foreign investors see the measure as essential for the rehabilitation of Czech capital markets. Page 3

Canadians still shivering
More than a million Québécois began their second week without power since an ice storm hit the area. Authorities urged those still living in freezing homes to evacuate before the weather worsens.

Albright plea on funding
US secretary of state Madeleine Albright urged Congress to release funding for the UN and IMF and stop linking the issue to abortion policy. Page 6

Lottery libel trial
Guy Snowden, chairman of US lottery operator GTech, offered British tycoon Richard Branson a bribe to withdraw from the contest for the UK national lottery, London's High Court was told at the start of a two-way libel action between the men. Page 9

Arafat in Jordan for talks
Palestinian leader Yassir Arafat arrived in Jordan for talks with King Hussein on ways to advance the peace process with Israel. He will brief the king on last week's talks with US envoy Dennis Ross. Israel refuses to order troop withdrawal. Page 4

New delay for HK airport
Plans to open Hong Kong's new US$20.4bn airport have been put back from April until July because of a hold up with the rail link. Page 7

Donation for China
Germany is donating DM75,000 ($41,000) "humanitarian first aid" to help victims of Saturday's earthquake in northern China which left about 500,000 people homeless.

Guyana bans protests
Guyana has banned all street demonstrations and marches following looting in the capital Georgetown.

BUSINESS NEWS

Sony close to signing deal for independent European labels

Sony Music Europe is in advanced negotiations to acquire substantial shareholdings in Yo Mama, the German independent record company, and Double T, a Belgian independent label. Page 15

Fitch IBCA, Europe's largest credit rating agency, said that it and its rivals, Standard & Poor's and Moody's Investors Service of the US, failed to anticipate recent turmoil in Asia. Page 15

Airbus Industrie said it had sold more aircraft last year than Boeing and accused the US group of issuing inflated order figures. Page 4

Generali, the Italian insurer, saw the three-month deadline for regulatory approval of its FFr55bn ($9bn) hostile bid for AGF of France expire, with no comment from the authorities. Page 16

Imperial Chemical Industries, the UK's largest chemicals group, has chosen Brendan O'Neill, chief executive of the Guinness brewing business, as its likely future chief executive. Page 15; Lex, Page 14

Cable & Wireless Communications, the UK cable company, is to buy back $1.5bn of junk bonds in the US before selling up to $2.5bn of investment grade bonds in a move which could save it £40m ($64m) a year in interest costs. Page 15

SAP, the German business software group, is to expand its workforce by 40 per cent, creating up to 5,000 new jobs - including 2,000 in Germany - in the next 12 months. Page 14 & Lex

New car sales in Europe in 1997 increased at double the rate forecast last January, with a 4.8 per cent rise to 13.4m units. Page 2

Banco Central Hispano, the Spanish bank, is close to completing an agreement with Endesa, the domestic power group, covering joint investment in the telecommunications and energy sectors. Page 16

Ursus, the state-owned Polish tractor factory, is facing an uncertain future as the government tolerates a virtual takeover by the Solidarity union. Page 2

CBS has struck a $4bn deal to televise National Football League games over the next eight seasons. The record price was more than double the $217m paid by NBC for its expiring four-year contract. Page 15; Lex, Page 14

Ameritech, the Chicago-based telephone company investing $3.2bn for a 42 per cent stake in Denmark's Tele Danmark, announced after-tax profits of $2.3bn for 1997, up from $2.13bn in the previous year. Page 17

Whirlpool, one of the world's largest home appliance manufacturers, is to cut around 3,200 jobs at its majority-controlled Brazilian appliance operations. Page 17

Sidek, Mexico's troubled tourism and real estate conglomerate, suspended trading of bonds and shares on the Mexican Stock Exchange and the US Nasdaq market pending its announcement of a plan to restructure $2bn of debt. Page 17

Japan has floated the idea of an Asian Currency Unit similar to the European Currency Unit in response to mounting financial problems in the region. Page 7

Korea Telecom, the unlisted state-run group, predicted net profits would fall by 90 per cent to Won18bn ($6m), although sales are expected to increase by 7.3 per cent to Won7,510bn. Page 16

Fall-out from Asian turmoil starts to affect multinationals

Companies post pessimistic forecasts as crisis goes on

By Greg McIvor in Stockholm and Michiyo Nakamoto in Tokyo

Gloomy forecasts from Scandinavian and Japanese companies yesterday showed how Asia's financial crisis is squeezing the global economy.

Three Swedish-based multinationals - Ericsson, the telecommunications group, Electrolux, the white goods supplier, and Volvo, the automotive group - said their sales in Asia were being hit.

And in Japan, the head of the world's largest steel company warned that the country's steel industry would suffer a serious blow to exports as a result of the depreciation of the Korean won.

Takashi Imai, president of Nippon Steel and head of the Japan Iron and Steel Federation, said Japanese steel exports to South Korea could fall as much as 50 per cent in the short term as a result of a fall in the cost competitiveness of the Japanese industry and the downturn in the Korean economy.

Electrolux said it was cutting about 100 sales and administrative posts in Thailand and Indonesia, its two biggest regional markets, in response to lower demand. "If demand is low we have to adjust to that," said Michael Treschow, chief executive. "We cannot just wait and hope there is a quick fix."

The company said direct sales of vaccuum cleaners in Asia, which accounts for 5 per cent of its sales, fell 25-50 per cent in December against the same month in 1996.

Volvo, which last year signalled it might delay investments in its car operations in several leading south-east Asian markets, did not rule out temporary closures of its factories in the region. The company suspended car production in Thailand, its biggest regional market, for 10 weeks late last year in the face of sagging demand.

Mats Edenborg, a Volvo official, said recent events would make it difficult for the company to attain its goal of doubling sales in south-east Asia to SKr30bn ($3.75bn) by 2000.

Ericsson's mobile phones division said recent explosive growth of mobile handset sales to the region had slowed "in the tiger economies where turbulence is going on" during the fourth quarter of last year.

The region accounts for 30 per cent of its cellular handset sales, although its two biggest markets - China and Australia - have remained unscathed so far.

Japanese steelmakers are among the largest in the world and despite their declining importance as drivers of the Japanese economy, the sector is still considered a symbol of Japan's economic strength. Shares of the leading steelmakers recovered some ground in heavy trading in Tokyo yesterday.

Korea is the single largest export market for Japanese blast furnace steel producers. The rise in the global cost competitiveness of Korean producers such as Posco is likely to put pressure on Japanese steelmakers to lower their prices. Analysts expect the situation to hit steelmakers' results in the new fiscal year beginning April.

If the situation worsens, and production falls to 95m tonnes or less, this could mean losses and may accelerate a consolidation in the industry, according to Atsushi Yamaguchi at Jardine Fleming in Tokyo.

Asia in crisis, Page 6
World steel output, Page 4
Editorial Comment, Page 13
Currencies, Page 21
World stocks, Page 32

Chinese interested in failed bank

Philip Tose, chairman of collapsed investment bank Peregrine, at a news conference in Hong Kong yesterday. Chinese companies are among those interested in buying parts of the group, he said, adding that it had sought help from the Hong Kong government but was refused Report, Page 14 Picture: AP

MEPs challenge de Silguy's plan to run for regional office

By Lionel Barber in Brussels

Leading members of the European Parliament have challenged a surprise decision by Yves-Thibault de Silguy, the European Union's monetary affairs commissioner, to run for political office in France.

The European Commission must clarify whether Mr de Silguy should be allowed to hold two jobs at once, according to Gijs de Vries, Liberal group leader; Pauline Green, Socialist group leader; and Wilfried Martens, who heads the centre-right European People's party.

Mr de Vries also raised questions about the intervention of Jacques Chirac, France's president, who has lobbied Jacques Santer, Commission president, to allow Mr de Silguy to run in the regional elections in Brittany in March.

Mr Chirac apparently views Mr de Silguy, who is attempting to become president of the regional council, as crucial to his Gaullist party's chances of holding Brittany in the 2002 presidential election. Mr de Vries called on Mr Santer to clarify the Commission's position on the French commissioner. Mr Martens agreed with that, but said Mr Santer should be allowed more time to prepare an answer. Yesterday, Mrs Green voiced concern about potential conflicts of interest.

So far, the Commission has ducked the question of whether Mr de Silguy should choose between Brussels and Brittany, arguing that he is a declared rather than an official candidate for regional office.

Mr de Silguy's candidacy is the subject of a dispute between the Gaullists and their liberal UDF partners. The UDF is pressing for one of its senior figures, Pierre Méhaignerie, to head a joint list in the elections rather than a Brussels commissioner.

Mr de Silguy's domestic political ambitions have caused comment at the European Parliament, partly because his responsibilities include the formidable task of preparing the launch of the European single currency. But he contends that he can be a commissioner in Brussels and a future president of the Brittany region. "I can defend Europe on the ground," he told the FT last week.

The English text of the Maastricht treaty says: "The members of the Commission may not, during their term in office, engage in any other occupation, whether gainful or not." The French version says merely that Commission members are not allowed to engage in "any professional activity".

In 1995, Mr Santer told MEPs that all members of the Commission had renounced professional activities and any elective office which would restrict their ability to fulfil their duties. But he drew a distinction between being a member of a national assembly or the European Parliament and holding a local office.

Mr de Silguy cites the example of Edith Cresson, his fellow French commissioner, who ran in municipal elections in 1995, renewing her term as mayor of a small French town.

Microsoft's Tokyo offices are searched

By Louise Kehoe in San Francisco and Michiyo Nakamoto in Tokyo

Japanese anti-monopoly authorities yesterday carried out an unexpected search of Microsoft's offices in Tokyo, extending the US software company's legal problems into a new arena.

Officials from Japan's Fair Trade Commission arrived unannounced and took copies of several documents relating to its dealings with personal computer manufacturers, Microsoft said.

The company, which faces anti-trust charges in the US and is under investigation by European competition authorities, was surprised by the action of Japanese officials. "We were somewhat taken aback because we had previously offered to co-operate with the FTC and answer any questions that the commission might have," said Brad Smith, Microsoft associate general counsel in charge of international issues.

The Japanese authorities' action came as Microsoft was preparing to face charges in a Washington DC courtroom of contempt of court arising from antitrust charges lodged by the US Justice Department.

Attorneys for Microsoft sparred

Continued on Page 14
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Markets

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,686.29	(+39.11)
NASDAQ Composite	1,531.68	(+24.10)
Europe and Far East		
CAC40	2,902.93	(+40.39)
DAX	4,159.40	(+72.12)
FTSE 100	5,083.3	(+15.1)
Nikkei	14,755.94	(+81.50)
US LUNCHTIME RATES		
Federal Funds	5.37%	
3-mth Treas Bills: Yld	5.187%	
Long Bond	105¾	
Yield	5.714%	
OTHER RATES		
UK: 3-mo Interbank	7¾%	(7⅞%)
UK: 10 yr Gilt	109.3672	(109.347)
France: 10 yr OAT	103.33	(103.34)
Germany: 10 yr Bund	106.91	(same)
Japan: 10 yr JGB	109.63	(109.61)
NORTH SEA OIL (Argus)		
Brent Dated	$15.00	(15.015)

GOLD		
New York Comex		
(Jan)	$283.3	(278.3)
London		
	$280.65	(278.65)
EXCHANGE RATES		
Dollar		
New York lunchtime		
£	1.63065	
DM	1.82185	
FFr	6.1012	
SFr	1.4779	
Y	131.775	
London:		
£	1.6329	(1.6185)
DM	1.8213	(1.8185)
FFr	6.0967	(6.0880)
SFr	1.478	(1.4757)
Y	131.835	(133.075)
Tokyo close		Y 132.575
Sterling		
DM	2.9739	(2.9433)

London · Leeds · Paris · Frankfurt · Stockholm · Madrid · New York · Los Angeles · Tokyo · Hong Kong

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FINANCE

FT.com: the FT web site provides updated news and an updated archive of back articles at http://www.FT.com

NEWS: EUROPE

French government under fire on two fronts as jobless resume street protests

Jospin faces new attack from employers

By David Owen in Paris

French employers urged the government yesterday to abandon plans to introduce a 35-hour working week, as unemployed protesters again took to the streets in Paris and the southern port city of Marseilles.

The heads of five organisations, representing more than 3m entrepreneurs, predicted that a draft bill introducing a 35-hour week in 2000 for private sector companies employing more than 20 people would "destroy jobs instead of creating them". The National Assembly is to start debating the measure on January 27.

The employers issued the reminder of their misgivings as thousands of jobless people pressed on with their campaign for a review of monthly benefits and a year-end bonus.

In Paris, a group variously estimated at between 4,500 and 10,000 marched from the employment ministry to the headquarters of the CNPF, the main employers' federation. Police were said to have used tear-gas to help evacuate the commodities exchange, which had been occupied by demonstrators.

About 6,000 marched through the old port area of Marseilles, complaining at the police's removal of protesters from welfare offices over the weekend. Another Paris demonstration is planned on Saturday.

In a speech to journalists, Lionel Jospin, the Socialist prime minister, gave no hint of new concessions to the protesters and insisted the government's policies must be pursued in a disciplined manner. "Changing these policies ... or disrupting economic and budgetary equilibrium because a certain number of social services have been occupied, would end all hope of success," he said.

In spite of the continued protests, Mr Jospin's balanced response – offering FFr1bn ($164m) in extra support to the unemployed, but defending the need for the state to exercise its authority – appears to be taking the sting gradually out of the situation.

Nevertheless, the government has not escaped unscathed from the protests, as indicated by a Louis Harris opinion poll putting Mr Jospin's popularity rating down 4 points from a month earlier at 56 per cent. The telephone poll was conducted on January 9 and 10, just as the prime minister announced the new emergency fund.

Mr Jospin also indicated that a government plan designed in part to address the underlying causes of a recent upsurge in urban violence would be presented next month. Martine Aubry, employment minister, has asked for a post to be created for a new junior minister of urban affairs.

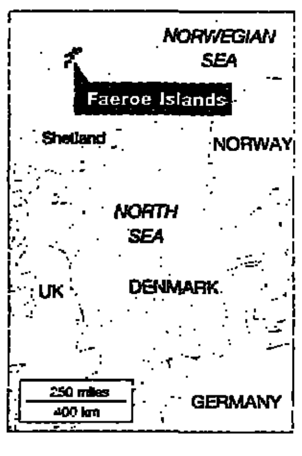
Faeroes headache for premier

By Hilary Barnes in Copenhagen

Over the next few days, Poul Nyrup Rasmussen, Denmark's Social Democratic prime minister, faces the first challenge to his authority in what promises to be a fateful political year for him and his minority left-centre coalition government.

On Friday a report will be published about the rescue of a Faeroe Islands bank in 1993. It may conclude that Mr Nyrup Rasmussen committed the same sin that brought down his predecessor, Poul Schlüter, in January 1993: misleading parliament.

The prime minister faces two further challenges. On May 28, Danes will vote on the European Union's Amsterdam treaty. Opinion polls suggest there will be a majority in favour but if the vote went against, many commentators think Denmark's future as an EU member would be in doubt.



Finally, an election is due before mid-September, when parliament's four-year term expires. The coalition of the Social Democrats and the centrist Radical Liberal party is not sufficiently popular for Mr Nyrup Rasmussen to be certain of another term in office.

The problems in the Faeroes, a self-governing province, began when a bubble economy burst in the early 1990s. In March 1993, Denmark's largest bank, Den Danske Bank, sold a controlling stake in Faeroya Bank to the islands' government after Danske published large provisions to cover losses in Faeroya Bank. A few months later, however, Faeroya Bank needed a capital injection of DKr1.2bn ($144m) and the Danish government provided a DKr1.5bn loan. Altogether, the Faeroes borrowed DKr6bn from the Danish state to cover the costs of the 1990s economic crisis.

What Mr Nyrup Rasmussen must answer is whether he misled parliament in 1995, when members questioned him about what the government had told the Faeroes in 1993 about Faeroya Bank.

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Tractor test for Poland's reforms

Job cuts could be a problem for Solidarity, reports **Christopher Bobinski**

The state-owned Ursus tractor factory, a giant loss-making enterprise under communism in Poland, looks set to test the new Solidarity-led government's commitment to restructuring and privatising heavy industry.

The future of Ursus has been put in doubt because the government appears to be tolerating a virtual takeover by the local Solidarity union, notorious for its opposition to foreign investment.

In other industrial sectors, too, uncertainty hangs over government policy. The authorities have yet to clarify their attitude towards the loss-making coal industry, where job cuts are urgently needed. Likewise, no clear strategy has emerged for the steel industry, where the European Union has signalled that the failure to adopt a restructuring programme will delay Poland's EU membership drive.

The government has told the power sector that planned rises in coal prices this year mean that losses are unavoidable. This message may cool the enthusiasm of foreign investors, such as National Power of the UK.

The Ursus issue came to a head just before the new year when Emil Wasacz, the treasury minister, put a new management team into the plant. Mr Wasacz stressed that his move did not imply that foreign investment was no longer welcome at Ursus. Yet the appointment of Stanislaw Bortkiewicz signalled the opposite, for he enjoys the full confidence of the local Solidarity union and Zygmunt Wrzodak, its rabidly nationalist leader.

Mr Bortkiewicz's appointment was nevertheless greeted with a deafening silence from Leszek Balcerowicz, the deputy prime minister responsible for the economy and architect of Poland's first post-Communist reforms, and from Marian Krzaklewski, Solidarity's national leader.

Zygmunt Wrzodak, leader of the Solidarity union at Ursus, opposes foreign investment AP

Mr Balcerowicz's free-market Freedom Union party is the junior partner to Mr Krzaklewski's Solidarity Electoral Alliance in the coalition government.

Problems at Ursus had been mounting for some time. Mr Bortkiewicz was appointed after a year in which the plant had negotiated a 90 per cent reduction of its 700m zloty ($125m) debt. At the same time the state-owned Industrial Development Agency had gingerly been doing the groundwork for a consortium with AGCO, an international manufacturer and distributor of agricultural machinery, which had shown interest in investing in Ursus.

Krzysztof Jablonski, the chief executive ousted by Mr Wasacz, judged that the company's 1997 operating losses of 36m zlotys ($10m) would double unless a restructuring programme, including 2,500 job cuts in the 12,000-strong work force, was implemented. Sales last year of 15,000 tractors, which amount to half the plant's capacity, were worth 700m zlotys.

Mr Bortkiewicz says that Mr Jablonski's fate was sealed when Solidarity unionists rejected the employment reduction plan. Mr Bortkiewicz prudently shuns talk of job cuts. Instead he proposes to implement measures enhancing financial management and marketing in the hope that Ursus can survive without an outside strategic investor.

Mr Bortkiewicz proposes to have Ursus issue 200m zlotys' worth of six-year convertible bonds to raise funds needed to modernise the plant, which Massey Ferguson developed 20 years ago to make what were then technologically advanced tractors.

The bonds would be offered to financial investors at home and abroad, including AGCO and, most tellingly, the 4m listeners of Radio Maryja. This is a nationwide radio station, broadcasting a heady brew of traditional Catholicism and nationalism, whose listeners responded generously last year to an appeal to save the Gdansk shipyard, Solidarity's birthplace.

Ursus's new management has already got the government to begin work on tightening up tariffs on agricultural machinery imports. It wants existing credit subsidies extended only to those farmers who buy Ursus products.

For the moment, Ursus's new management is clearly pressing ahead – with the support of Mr Wasacz and the state treasury. Indeed, any government attempt to reverse Mr Bortkiewicz's appointment risks a confrontation with the Ursus work force and would threaten a row inside the Solidarity union, many of whose members sympathise with nationalists such as Mr Wrzodak.

Ursus can also count on the backing of Radio Maryja, which has become a powerful propaganda medium for the nationalist right.

About 50 nationalist members of the 200-strong Solidarity-led caucus in parliament, angry that Mr Balcerowicz's Freedom Union is playing too great a role in government, would also jump to the plant's defence.

Mr Balcerowicz is evidently aware that a confrontation with Ursus would bring all the incipient tensions inside the government coalition to the surface.

He is biding his time before deciding how to confront the threat that developments at the plant pose to his bid to speed up the implementation of free-market reforms.

Europe's car sales well ahead of forecasts

By Haig Simonian, Motor Industry Correspondent

New car sales in Europe in 1997 increased at about double the rate forecast last January, with a 4.8 per cent rise to 13.4m units.

The surge, helped by a 13 per cent rise in registrations last December, was fuelled by the government incentive scheme in Italy which pushed up new car sales by more than 39 per cent to 2.4m. New car sales in Spain, which has cut registration taxes to stimulate demand after an earlier incentive programme, rose by 11 per cent to more than 1m, according to preliminary figures from the European Automobile Manufacturers' Association.

By contrast, sales in France, suffering from the termination of a government incentive scheme in late 1996, dropped by almost 20 per cent to 1.7m.

Such schemes have become a crucial factor in car demand, and largely explain the market's better than expected performance last year. At the outset, growth of 2-3 per cent was anticipated. Special trade-in schemes will continue to influence demand this year. Although analysts are again forecasting growth of 2-3 per cent, many have been chastened by the experience of 1997 and are hedging their bets.

Incentive programmes were the main factor in the differing fortunes of leading carmakers last year, pushing product replacement cycles into a subsidiary role.

Italy's incentives boosted demand for the Fiat group, which increased sales by almost 12 per cent. By contrast, both Peugeot-Citroën and Renault of France underperformed the market.

West European new car registrations
January-Dec 1997

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 97	Share (%) Jan-Dec 96
TOTAL MARKET	13,410,200	+4.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	2,301,822	+4.8	17.2	17.2
– Volkswagen	1,392,718	–1.8	10.4	11.1
– Audi	462,285	+12.4	3.4	3.2
– Seat	331,953	+16.4	2.5	2.2
– Skoda*	114,866	+41.1	0.9	0.6
General Motors#	1,623,566	+1.5	12.1	12.5
– Opel/Vauxhall	1,558,469	+1.7	11.6	12.0
– Saab**	58,606	+3.6	0.4	0.4
Fiat group##	1,597,422	+11.6	11.9	11.2
– Fiat	1,288,839	+11.9	9.6	9.0
– Lancia	177,304	+11.3	1.3	1.2
– Alfa Romeo	126,610	+9.4	1.0	0.9
PSA Peugeot Citroen	1,516,024	–0.8	11.3	11.9
– Peugeot	889,395	–1.9	6.6	7.1
– Citroen	626,629	+0.8	4.7	4.9
Ford group#	1,507,958	+1.7	11.2	11.6
– Ford	1,489,673	+1.5	11.1	11.5
– Jaguar	18,285	-+22.1	0.1	0.1
Renault	1,326,105	+2.8	9.9	10.1
BMW group	821,198	+1.9	6.1	6.3
BMW	432,220	+0.8	3.2	3.4
Rover	388,978	+3.1	2.9	2.9
Mercedes-Benz	495,148	+7.0	3.7	3.6
Volvo	231,540	+12.4	1.7	1.6
Nissan	400,872	+8.6	3.0	2.9
Toyota	372,575	+12.1	2.8	2.6
Honda	216,218	+12.0	1.6	1.5
Mazda	184,834	+7.3	1.4	1.3
Mitsubishi	176,289	+18.7	1.3	1.2
Total Japanese	1,552,032	+12.4	11.6	10.8
Total Korean	285,847	+14.8	2.1	1.9
MARKETS:				
Germany	3,528,200	+0.9	26.3	27.3
Italy	2,411,900	+39.2	18.0	13.5
United Kingdom	2,170,200	+7.2	16.2	15.8
France	1,713,800	–19.7	12.8	16.7
Spain	1,012,100	+11.1	7.5	7.1

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Both companies, however, were relatively successful in counterbalancing a weak domestic market with higher exports. Registrations by Peugeot-Citroën slipped by 0.8 per cent last year, while Renault managed an increase of 2.8 per cent.

Among volume producers, the Volkswagen group had a mixed year as sales of the core VW brand suffered from the changeover of the top-selling Golf and the slow build-up in output of the new model. By contrast, Audi, Seat and Skoda, the group's other subsidiaries, had an outstanding year.

Mercedes-Benz and Volvo also staged strong recoveries on the back of new models. Sales at Mercedes-Benz rose by 7 per cent, and Volvo's sales jumped by more than 12 per cent as part of its model renewal process.

Both Japanese and Korean manufacturers performed strongly. Japanese sales climbed by 12.4 per cent while Korean registrations soared by almost 15 per cent.

Bonn attacks Schröder for steel takeover

By Ralph Atkins in Bonn

Gerhard Schröder, prime minister of Lower Saxony and a potential Social Democratic candidate for chancellor in September's national elections, was criticised by the German economics ministry yesterday after his government's decision to take control of a steel concern.

The ministry said the takeover of the steel subsidiary of Preussag, the Hanover-based conglomerate, would send damaging signals to outside investors. It attacked Mr Schröder for closing the door on a possible bid by Voest Alpine, the Austrian steel group.

Mr Schröder made his surprise offer last Friday after fears were expressed that jobs at Preussag Stahl would be lost as part of a foreign buyer's plans to concentrate capacity elsewhere.

Under a deal expected to be concluded next month, Lower Saxony and the publicly-owned Norddeutsche Landesbank would initially take a 51 per cent stake in Preussag Stahl. Lower Saxony would also arrange for the transfer of the remaining shares, perhaps direct to other investors.

Lower Saxony describes the deal as a "temporary operation". It is expected to continue preparations for a possible flotation but is looking for investors in Preussag Stahl who would protect local economic interests. That almost certainly means the group's supervisory board would have to remain in Lower Saxony.

But Günter Rexrodt, economics minister, said: "Foreign investors provide jobs for many hundreds of thousands of employees. Those who discriminate against and exclude foreign companies in this abrupt manner shoulder a heavy responsibility.

"We are striving to make Germany more attractive for foreign investors in the interests of those seeking work, because they are urgently needed to create jobs. And then comes a potential chancellor candidate and sets it all back."

Mr Schröder received support from Bernhard Jagoda, president of the federal labour office, who said initiatives which preserved jobs "are to be welcomed, regardless from whom they come". However, he suggested the state holding in Preussag Stahl should be short-term.

The SPD may choose Mr Schröder to challenge Helmut Kohl for the chancellorship in the elections on September 27.

● Germany's chances of meeting the criteria for joining the European single currency were boosted yesterday by figures showing net borrowing by the federal government last year, at DM64.6bn, ($35.4m) was more than DM6bn below estimates made in November.

Theo Waigel, finance minister, said strict controls on federal spending would remain in place, largely because of the impact of high unemployment on public finances.

The lower borrowing was the result partly of lower expenditure and partly of higher government revenues, although tax income remained in line with earlier estimates.

The federal statistics office also announced that Germany's inflation rate averaged 1.8 per cent last year.

NEWS DIGEST

Euro tensions in Dutch cabinet

The Dutch government was jolted yesterday when Gerrit Zalm, finance minister, was forced to deny a reported threat to resign if Italy was granted founder membership of the European single currency.

The issue is heightening tensions among candidate countries for monetary union, as well as within the three-party Dutch coalition, which is less than four months away from a general election.

NRC Handelsblad, the respected Dutch afternoon daily, said Mr Zalm had made it clear to Wim Kok, prime minister, that his desire for a strong euro was at odds with any endorsement of Italy's bid to join the monetary union.

Last Sunday Mr Kok rejected a suggestion in the German news magazine Der Spiegel that his government would not join the single currency if Italy were among the expected 11 initial members. Finance ministry officials in The Hague said yesterday Mr Zalm had taken no position on specific countries, and was anxious that the cabinet remained united.

Polling in the Netherlands takes place on May 6, four days after EU leaders are due to decide formally on entry to the single currency. *Gordon Cramb, Amsterdam*

■ YELTSIN'S HEALTH

Russian leader frolics in snow

The Kremlin tried yesterday to dispel concerns about Boris Yeltsin's health by releasing film footage of the Russian president speeding through the countryside on a snowmobile and holding talks with Boris Nemtsov, his first deputy prime minister.

Before yesterday's appearance, Mr Yeltsin had been seen by the Russian public this year only in two short pre-recorded television addresses.

Mr Yeltsin, who looked relaxed and alert, discussed with Mr Nemtsov the government's progress in paying off outstanding wage arrears as well as broader economic issues. The president has promised a renewed legislative drive, when he returns to the Kremlin on January 19, to propel Russia out of economic stagnation.

Mr Yeltsin's first meeting with a senior government official since beginning his holiday in early January confirms Mr Nemtsov's status as the president's favoured minister.

Mr Nemtsov had earlier survived a scare on his way to the meeting when the helicopter in which he and Tatayana Dyachenko, Mr Yeltsin's daughter, were travelling was forced to make an emergency landing. The party continued their journey without further alarm in another helicopter. *John Thornhill, Moscow*

■ KURDS IN GERMANY

PKK loses 'terrorist' label

Germany no longer considers the separatist Kurdistan Workers' Party (PKK) to be a terrorist organisation, the federal prosecutor, Kay Nehm, announced yesterday.

Any legal action against the PKK, which is banned in Germany, will now be taken against it as a criminal organisation rather than a terrorist association, he said.

Members of a terrorist organisation are liable to sentences of between three and 10 years in jail, while members of a criminal organisation face sentences of six months to five years.

The situation "has, fortunately, eased considerably" since the PKK leader, Abdullah Ocalan, agreed to respect German laws in August 1996, Mr Nehm said.

Since Mr Ocalan's statement, there have been only four arson attacks attributed to the PKK in Germany – believed to have been mounted by PKK dissidents – compared with 261 arson incidents in 1995.

The PKK, which seeks an independent homeland for Kurds in the Turkish-Iraqi border area, was banned in Germany after two waves of attacks, in June and November 1993, against Turkish interests. *AFP, Karlsruhe*

■ BOSNIAN ARMY

New force gains strength

Bosnia's combined Moslem-Croat army, re-equipped under a controversial US-backed programme, is now strong enough to retake territory from the Bosnian Serbs, according to a senior Bosnian official.

"The federation army, with the armaments it has received and the training it has had, is perfectly capable of handling an operation of this nature," the former defence minister, Vladimir Soljic, told Bosnian television on Monday night.

However, Mr Soljic, a Croat who is currently vice-president of Bosnia's Moslem-Croat federation, said it had no intention of doing so.

Under the so-called Equip and Train programme, US officials have built up the strength of the federation's army, seeking to balance it against the once more powerful forces of the Bosnian Serb republic. The federation and the Bosnian Serb republic together govern post-war Bosnia. *AFP, Sarajevo*

■ FRENCH AVIATION

Aerospatiale spins off business

Aerospatiale, the French state-owned aircraft, space and defence group, said yesterday that it would spin off its Airbus business later this year in order to pave the way for its integration in the proposed new Airbus corporate entity.

The disclosure was made as the company announced that it had booked orders in 1997 that were worth FFr80.3bn ($13.2bn), compared with FFr63.3bn in 1996.

The announcement came about a month after leaders of Britain, France and Germany invited European defence and aerospace companies, including Aerospatiale, to come up with proposals for a drastic restructuring of their industry.

The four companies that own Airbus, the aircraft consortium, said last October that it was on course to become a limited company by the start of 1999. *David Owen, Paris*

■ CYPRUS CONFLICT

Turkey to expand delegations

Turkey said yesterday it would include Turkish Cypriot officials in Turkish delegations at international meetings and appoint them at diplomatic missions abroad.

"In every international meeting in which Turkish Cypriots are denied a word, Turkish Cypriot representatives will be included in Turkish delegations," the Turkish Cypriot news agency TAK said, quoting from an agreement signed between Turkey and the breakaway Turkish Cypriot state.

Only Turkey recognises the self-proclaimed Turkish Republic of Northern Cyprus.

The Turkish government had warned in the past that Turkey would strengthen political and economic relations with Turkish Cypriots in response to the European Union's decision to include Greek Cypriots in membership talks.

Turkey has been arguing that the admission of Cyprus into the EU would amount to integration between Cyprus and Greece, already an EU member.

Cyprus has been unofficially partitioned since Turkey invaded the northern one-third of the island in 1974 in the wake of an Athens-backed coup by supporters of union with Greece. *AP, Nicosia*

Chechen PM puts stress on dialogue

Differences grow with Moscow as blockade is strengthened

By John Thornhill in Moscow

The prime minister of Chechnya stressed his commitment to dialogue with Russia yesterday despite a sharp increase in tensions between the authorities in Moscow and the separatist north Caucasus region.

"First one must try to resolve things peacefully, but it is never too late to fight," said Shamil Basayev, a former Chechen field commander. Russian officials, who still claim sovereignty over Chechnya, are alarmed at the growing influence of Mr Basayev, whom Moscow regards as a criminal for leading a hostage-taking raid in 1995. They have also accused the Chechens of attacking Russian military units in neighbouring Dagestan last month.

Earlier this week, Russia's chief prosecutor, Yuri Skuratov, confirmed that an arrest warrant was still outstanding for Mr Basayev and would be acted upon if the opportunity arose.

Anatoly Kulikov, Russia's interior minister and a leading Kremlin hawk during the 21-month war in Chechnya, has also called publicly for pre-emptive air strikes against "the bandits" and strengthened the military blockade around the region.

Yet despite the increasingly fierce public exchanges, there have been quieter attempts to resolve the two sides' differences and pave the way for a visit to the region by Boris Yeltsin, Russia's president.

Last weekend, a Russian delegation led by Ramazan Abdulatipov, a deputy prime minister, held talks with Chechen officials, including Mr Basayev, in the regional capital of Grozny. Mr Abdulatipov promised Russia would still deliver on its promises to help rebuild Chechnya. The Kremlin doves appear eager to foster peace in the strategically sensitive region to secure pipeline routes between the Caspian sea and the Russian port of Novorossiisk.

While insisting fiercely on preserving their independence, the Chechens also appear to realise that they must revive links with Russia if they are ever to rebuild their region.

However, the long history of personal bad blood between Mr Kulikov and Mr Basayev may hamper these attempts at reconciliation. Mr Kulikov clearly balks at the prospect of having to conduct talks with the resistance leader, whose lightning military raids often humiliated the Russian forces.

This week, Mr Basayev has been appointing new ministers to his cabinet, saying the two biggest challenges facing Chechnya are to revive its devastated economy and crack down on crime.

Several armed groups continue to hold sway over large parts of Chechnya and have seized several foreign aid workers as hostages.

Mr Basayev dismissed suggestions that he had clashed with Aslan Maskhadov, Chechnya's president, over the formation of the new government. "There have been no disagreements with the head of the republic over this issue. The president and I share a common approach and a common outlook," he said in an interview with a Russian news agency.

He also hit back at the threats from the Russian prosecutor general to arrest him. "Skuratov is subject to investigation by Chechen prosecutors for the mass genocide of the Chechen people," he said.

Macedonia fears leaving an open door

From the UN observation post Foxtrot 12, high on the Debar mountain plateau beside the frontier separating Macedonia and Albania, sporadic crackles of gunfire can be heard from the Albanian side.

Finnish troops patrolling the border as part of Unpredep, the United Nations preventive deployment force in Macedonia, report frequent illegal border crossings from Albania, often by smugglers bringing in cigarettes, and sometimes weapons.

Petri Heinikoski, senior lieutenant and leader of the Finnish platoon at the UN post, says that the frontier is much quieter, however, than at the height of last year's violent chaos in Albania, which was triggered by the collapse of a series of fraudulent pyramid finance schemes.

The international community has taken advantage of the return of a semblance of order in Albania to reduce the Unpredep presence, believing that its mission of bolstering Macedonia's first fragile years as an independent state is almost complete.

However, rising tensions elsewhere in the southern Balkans have put a question mark over a UN Security Council resolution last month to withdraw the thin line of UN peacekeeping troops altogether from Macedonia's borders with Albania and Serbia at the end of next summer. Events in Kosovo, the neighbouring southern province of Serbia, where the largely ethnic Albanian population has lived for nearly a decade under the harsh direct rule of Belgrade, are threatening the UN timetable.

Fears of a wider regional conflict have been heightened by a statement last week from a militant separatist group, the Kosovo Liberation Army. It said it had extended its operations for the first time to neighbouring Macedonia, where more than one in five of the population, and possibly as many as one in three, are also ethnic Albanian.

The group claimed that its members had exploded bombs in three Macedonian towns, the latest on January 4. The Macedonian authorities denied that the Kosovo group was responsible for the explosions but gave no indication who was behind the incidents. Macedonian police killed three ethnic Albanians during anti-government riots in Gostivar last July.

The Security Council resolution to end the Unpredep mandate is a blow to the Macedonian government and, in particular, to Kiro Gligorov, the country's 80-year-old president. He expressed concerns in his New Year's message about factors causing instability in the region which could lead to clashes.

Mr Gligorov campaigned to bring the UN peacekeepers to Macedonia in 1992, as former Yugoslavia collapsed into the turmoil of three and a half years of war in Bosnia.

The Security Council justified its resolution to pull out the Unpredep troops on the grounds that there had been "a number of positive developments in the overall situation in the area".

It cited in particular the reduction of tensions in Albania. But it accepted that peace and stability in Macedonia continued to depend "largely on developments in other parts of the region".

Mr Gligorov said: "In light of the situation in the region, Unpredep has not finished its mission yet. All reports to the UN say that this is very positive preventive diplomacy. It does not take a lot of resources, and it has been very effective in preventing a spillover of the war to the south."

He argues that many of the uncertainties facing Macedonia are as great as ever, that the issues of Bosnia-Hercegovina are still open, that tensions are rising in Kosovo, and that Albania's authorities are "still far from having control over the whole of [their] country".

Not least, 15 months after starting talks with Belgrade, Macedonia has still been unable to reach agreement on demarcating several sensitive stretches of its northern border with Serbia, areas which are currently monitored by troops from the US battalion of Unpredep. Kofi Annan, UN secretary-general, must report by the beginning of June both on how the 750-strong Unpredep forces can be completely withdrawn at the end of August and also on the type of international presence that would be most appropriate for Macedonia in the future.

The UN observation post on the Macedonian-Albanian frontier Kevin Done

Western diplomats in Skopje suggest that some sort of international presence will be needed on the frontier with Serbia, as long as the border is not properly demarcated.

In addition, there must be a commitment "over many years" to the modernisation and training of Macedonia's armed forces, a role that cannot be played by Unpredep troops, according to one leading western diplomat.

The idea of Macedonia being used for Nato training exercises in order to bring it more closely into western security structures is also under consideration.

An exit strategy must be developed that does not leave a security vacuum, said one diplomatic observer.

"We don't want the neighbours to reopen the Macedonia question. We must not say, 'We haven't had a fire, so let's get rid of the fire station'."

Kevin Done

New chief of telecoms appointed in Greece

By Kerin Hope

Greece's socialist government has appointed a former Massachusetts Institute of Technology professor to run OTE, the partly privatised telecoms operator, ending a 16-month search for a new chief executive.

The choice of George Chryssolouris, an information technology expert with an international reputation, has reassured institutional investors who had grown concerned about the leadership vacuum at Greece's biggest company.

Overseas institutions, mostly in the US, hold about 10 per cent of OTE's shares. So far, 20 per cent of the company has been privatised, and the government plans to sell another tranche this year. Despite the Socialists' pledge to introduce private sector management standards at state-controlled companies, the economy minister has retained the right to appoint OTE's chairman and chief executive.

Mr Chryssolouris was appointed after a search by Egon Zehnder, the international headhunters, failed to produce a suitable candidate to launch a restructuring of the telecoms operator. A member of OTE's board of directors, he returned to Greece in 1993 to head a university research project and later became a special adviser to Costas Simitis, the prime minister.

OTE faces revenue losses this year because of long delays in digitising its fixed-wire network. The launch of Greece's third mobile telephone network, controlled by a subsidiary, is running six months behind schedule.

The European Commission has criticised senior officials at OTE for obstructing telecoms liberalisation in Greece. OTE holds a monopoly on cable television in Greece in defiance of EU regulations, but has not yet installed a cable service for local subscribers.

Opposition political parties have criticised OTE for lack of transparency both in procurement contracts involving local suppliers and in international deals.

Czech MPs approve markets watchdog

By Robert Anderson in Prague

The Czech lower house of parliament overruled the Senate and passed legislation yesterday to set up a capital markets watchdog and to reduce the influence of banks over non-financial companies.

By acting quickly to adopt the measures, both government and parliament demonstrated an awareness that foreign investors saw the proposals as essential for the rehabilitation of the Czech capital markets.

The lower chamber had approved the creation of the securities and exchange commission in November, but the Senate had returned the proposal on the grounds that it did not have a clear constitutional position.

Ivan Pilip, finance minister, had said he feared the Senate vote would delay the commission's creation until the end of the year, but the lower house convened a special session to rush the measures through. The commission is expected to start work in April.

Foreign portfolio investors have been ignoring the Czech stock market partly because it has developed a reputation for lack of transparency and a lack of investor protection.

Tomas Jezek, the head of the stock exchange, said: "Foreign investors have been waiting for the commission. They consider it a signal of whether we will standardise our market."

The commission will have the power to revoke broking licences, halt transactions and block accounts of bodies under investigation, and issue fines of up to Kç100m ($2.8m). However, analysts fear the commission's independence has been compromised because it will be nominated by the government and funded from the state budget.

The lower house also passed an amendment which attempts to limit banks' involvement in non-financial companies by preventing them from holding more than 50 per cent of the shares.

NEWS: WORLD TRADE

World's two largest aircraft makers vie for status as industry leader

Airbus disputes Boeing claim

By Michael Skapinker, Aerospace Correspondent

Airbus Industrie yesterday said that it had sold more aircraft last year than Boeing and accused the US group of issuing inflated order figures.

The dispute between the world's two largest aircraft makers has become an annual event, with each challenging the other's method of counting its orders.

Boeing said this week that it had won net orders, after airline cancellations, for 502 aircraft last year, with a value of $39.1bn.

Boeing said this compared with 438 net orders won by Airbus, with a value of $27.8bn. It said this meant *that it had won 58.4 per cent of the* world market, compared with 41.5 per cent for Airbus.

Airbus alleged yesterday, however, that Boeing had included orders for which no final contract had been signed. It said it did not believe Boeing had yet signed a final contract with China for 50 aircraft, with a value of $3bn, even though this was included in the US manufacturer's 1997 orders.

Airbus said that its figures, unlike Boeing's, only included orders for which final contracts had been signed, deposits paid and, where necessary, government approval obtained.

Airbus said that, calculated on *this basis, it had 438 net orders last* year, compared with 432 for Boeing.

This would be only the second time that Airbus had won more orders than Boeing. In 1994, Airbus claimed more orders, dislodging Boeing from the top slot it had held since the advent of the jet age.

However, Boeing hit back, saying it only included order figures for which airlines had made firm commitments.

It agreed that this did not mean the final contract had been signed. It added, however, that its order with China was a firm commitment.

Even using Airbus's measure of aircraft orders, it is unlikely, however, that the European *consortium would be able to claim* the top slot for 1997.

A firm order from American Airlines for 103 aircraft was included in Boeing's 1996 order figures, even though the final contract was only signed last year.

Including these aircraft in Boeing's 1997 figures, rather than those for 1996, would have put the US manufacturer well ahead of Airbus.

Whatever the merit of the dispute, however, *last* year's figures represent a strong showing by the European consortium, particularly as Airbus has no aircraft to compete with Boeing's 400-seat 747.

Coface ranks Asian nations in its top 12

Thailand, Indonesia in 'second priority' list

By Andrew Jack in Paris

South Korea, Malaysia and Hong Kong all remain among the most attractive places for exporters and investors in spite of the recent financial crisis in south-east Asia, according to a new study released yesterday.

The annual ranking by Coface, the French trade credit insurer, places seven nations from south and east Asia among the 12 "top priority" rankings it awards on the basis of financial solvency, political risk and economic potential.

Thailand, the Philippines and Indonesia are among a further 21 "second priority" destinations, which also include South Africa, Brazil, Russia and Turkey.

François David, Coface chairman, said: "Now is not the moment for companies to withdraw from Asia. It is the right time for them to invest." He argued that economic growth would slow for the next one or two years, but would still remain positive in much of the region.

Coface's exposure as a result of the current financial crisis would be zero on its government-backed high-risk trade contracts, while its payments to clients on defaults would cost no more than a maximum of "several dozens of millions" of francs for its commercial insurance lines in the region.

The effect of the crisis would largely be to delay for up to one year rather than lead to the cancellation of a number of infrastructure projects, such as construction of the South Korean TGV high-speed train network, and of several power plants, airports and large buildings.

The precise formula on which the Coface analysis is based is not disclosed, but it is used as a guide for its clients and others involved in international trade. In contrast to last year, officials stressed yesterday that political factors were becoming more important relative to financial criteria in the calculation of risk assessment.

Drawing on the lessons of the financial crisis in Mexico in 1994 and subsequent repercussions elsewhere around the world, the organisation also drew up a list of countries which were judged most structurally vulnerable to turbulence in the wake of subsequent market crashes.

Liberalisation of capital markets in recent years had made developing economies as exposed as those in the more industrialised nations, but likely to suffer even greater volumes of movement of capital because of their structural weaknesses.

At the end of the first half of last year, the organisation concluded Turkey had proved the most vulnerable, followed in order by Brazil, Thailand, Korea, Slovakia, Mexico, Argentina, Malaysia, China and Venezuela.

Seven of these nine countries have suffered since the start of this year, but Coface stressed that some, such as Turkey, might be able to retain the confidence of investors.

The composite figures were based on three separate calculations. Turkey, the Czech republic, Malaysia, Brazil and Thailand were the most vulnerable in view of their dependence on foreign capital, taking into account such factors as borrowing requirements and levels of savings.

Korea, Brazil, South Africa, the Czech Republic, Thailand, Philippines and Mexico had the highest degree of volatility, based on significant short-term debt and equity investment levels. South Africa, the Philippines, Turkey and Slovakia had the weakest capacity to resist a crisis, in view of their debt levels and reserves.

Coface stressed that the recent crises had highlighted the dangers of over-valued currencies, the broader impact across a region of a national financial crisis, and the shift in risk and costs from governments to banks and other companies.

● *Coface. Risque Pays. FFr150. Available from Le Moci, 24 Bvd de l'Hôpital, 75005 Paris. Fax: + 33 1 4336 4798*

Top countries for exporters

	First priority	Second priority
Central Europe and former USSR	● Hungary ● Czech Republic ● Poland	● Slovenia ● Slovakia ● Russia ● Estonia
North Africa and Middle East	● Saudi Arabia	● Tunisia ● Morocco ● Turkey ● Israel ● Egypt ● UAE ● Kuwait ● Bahrain
Sub-Saharan Africa		● South Africa ● Mauritius
Latin America	● Chile	● Mexico ● Colombia ● Brazil ● Argentina
South-East Asia	● Singapore ● Taiwan ● China ● Hong Kong ● India ● South Korea ● Malaysia	● Thailand ● Philippines ● Indonesia

Source: Coface

Chinese licence 'for UK insurer'

By Tony Walker in Beijing

A British company is in line for the next insurance licence to be awarded to a foreign company in China, reflecting improved Sino-UK relations following last year's change of government in Britain.

Margaret Beckett, British trade and industry ministry, said in Beijing: "We have had a positive indication the first licence will be awarded to a British company in the near future".

Several UK insurers, including Commercial Union and Prudential, have been competing for approval to establish operations in China, an untapped market for foreign companies.

China's insurance market is dominated by the People's Insurance Company of China (PICC), but in the past few years Beijing has permitted several foreign insurers to establish limited operations.

These include AIG and Aetna of the US, and Allianz of Germany. Dozens of others are pressing to be allowed to tackle the huge Chinese market.

Ms Beckett, the first high-ranking UK official to visit China since the Hong Kong handover in July last year, welcomed the "warm reception" given her party.

On a 10-day tour around China with executives of UK companies, Ms Beckett stressed Britain's attractiveness as a base for companies looking to gain access to the European Union.

She described the atmosphere as "much more positive", an apparent reference to the icy moments prevailing during attempts by Chris Patten, Britain's last colonial governor in Hong Kong, to increase democracy there.

China-UK trade rose 16 *per cent in the first 11* months of 1997 to $5.07bn. UK companies are the largest investors among the Europeans, with utilised investment of $4bn.

More support for music industry urged

By Alice Rawsthorn

The UK government is to press the European Commission to increase its efforts to support the music industry on international trade issues, according to Chris Smith, the culture secretary.

In an interview with the Financial Times, Mr Smith said he intended to join forces with the British Foreign Office to persuade other European Union member states to take a tougher line in defending the music industry's interests.

European music executives have long complained that they receive less political backing from the EU than their US counterparts do from the Clinton administration.

Mr Smith believes there is scope for Europe to increase its support.

"I want to see it stepped up, and I'll be doing everything I can in concert with my colleagues in the Foreign Office to make sure of that," he said.

Traditionally, the UK, like other European governments, has adopted a *laissez faire* approach to the music business. However, UK prime minister Tony Blair's administration is trying to forge closer links with the industry as part of its efforts to enhance the economic potential of music and other creative sectors including architecture, fashion and film.

Mr Smith is particularly anxious to ensure that Europe steps up its efforts against music piracy. He intends to table a discussion on piracy as part of the audio-visual session at the EU summit due to be held in Birmingham in April.

"What the EU should do is use its muscle to tighten up controls against piracy," he said. "Eastern Europe is a particular problem. We know that one of the largest pirate production plants in one eastern European country is state-owned."

The UK has already increased its lobbying of the EU on the music industry's behalf, according to Mr Smith.

He claimed it had already succeeded in forcing San *Marino to crack down on* production of counterfeit copies of Elton John's charity single, *Candle in The Wind 1997*.

Over the longer term, Mr Smith also plans to press for any country applying for EU membership to be assessed on its record at implementing piracy controls. Another priority, he said, is to ensure that copyright legislation is extended to protect music transmitted on digital networks, such as the internet and advanced cable television systems.

UK is anxious to ensure EU steps up efforts against piracy

Last month, the EU published a long-awaited draft directive on that subject which is intended to satisfy most of its obligations under the new World Intellectual Property Organisation (WIPO) treaties.

The music industry criticised the draft directive for allegedly failing to make adequate provision to prevent home recordings of digital musical signals.

Mr Smith said the UK government would press the EU to address this concern by amending its proposals.

The UK music industry generates $2bn annually in overseas sales, employs more than 115,000 people and exports more than the steel industry.

NEWS: INTERNATIONAL

Turkmen gas energises new political momentum

Political symbols come in many forms in Central Asia and the Caspian Sea region, but few are quite *so compelling* as oil and natural gas pipelines.

The recent inauguration of the first gas pipeline linking Turkmenistan and Iran was a carefully staged political event that highlighted the growing economic links between the two countries. Both sides were anxious that no sour notes marred the event at a remote site in the western Karakum desert.

The only obvious last-minute hitch was the wave of sand blown on to the ceremonial red carpet by the giant rotor blades of the Soviet-era helicopter that carried Mohammad Khatami, the new Iranian president, making his first foreign trip since his election victory, and Saparmurad Niyazov, his Turkmen host.

The $200m, 200km pipeline, which was financed by Tehran, will supply Turkmen gas to power stations in northern Iran. But the real significance of the pipeline is the political momentum it may create to bring other energy-related projects to fruition. In a region where many officials and diplomats keep maps outlining dozens of potential pipeline routes, the political and commercial impact of a physical pipeline is significant.

There is no shortage of projects under consideration. Royal Dutch/Shell is studying the feasibility of a gas export line that would run from the big gas fields in eastern Turkmenistan to Turkey via northern Iran. Several foreign companies, including Siemens of Germany, have begun preliminary work on a possible oil export pipeline to refineries in heavily populated northern Iran, which is separated from the southern Iranian oil fields on the Gulf by formidable mountain ranges.

Last November, Bizhan Zangeneh, Iran's oil minister, said the Islamic republic could eventually absorb as much as 2.5m b/d of Caspian crude, which would be swapped for Iranian oil at Gulf export terminals.

Pipeline may help to bring other energy projects to the region

But most foreign companies have set their sights lower. Monument Oil and Gas, the UK company that is re-developing Turkmenistan's Nebit Dag oil field, believes a 225,000 b/d line between Turkmenistan's western oil fields and Iran could be built for about $800m, a relatively modest sum in oil industry terms.

In spite of recent conciliatory signals sent by Mr Khatami to Washington, the US still seems determined to restrict Iranian influence in the region. Although the US acknowledges the geographic constraints on exporting Turkmen gas – the country's main natural resource – Washington's sympathy does not extend to turning a blind eye to big projects such as Shell's proposed pipeline: "Any project will be scrutinised very closely to see if it adheres to the Iran-Libya Sanctions Act," said a senior western diplomat in Ashkhabad.

Washington, which wants multiple export pipelines from the Caspian region, would prefer to see the Turkmen gas and oil flow in pipelines that avoid Russia and Iran. "Turkmenistan shouldn't trade dependence on Russia for dependence on Iran," said the diplomat.

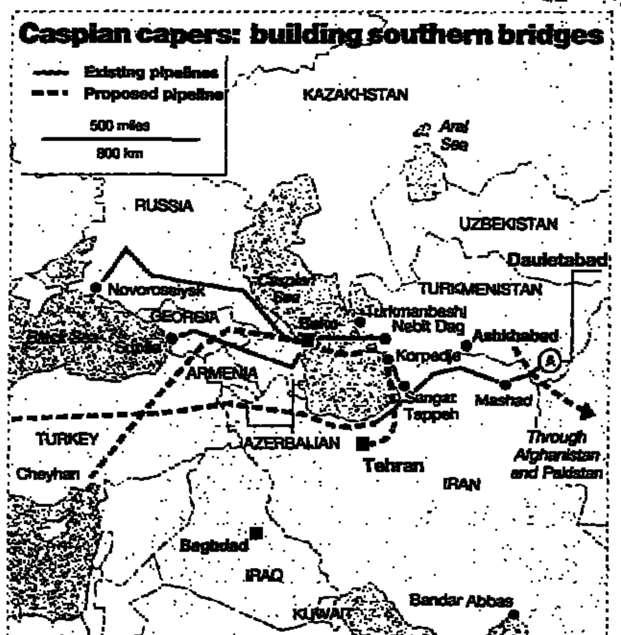
Turkmen officials say severing links is unrealistic. "Turkmenistan is like a bird," explains one official. "One wing is Russia and the other wing is Iran. The bird cannot fly on only one wing."

Officials admit they feared the export of Islamic fundamentalism in the first years after the break-up of the Soviet Union. But militant *Islam has so far not found a* fertile breeding ground in secular Turkmenistan.

Turkmen officials are now so confident about the secular orientation of the country that they occasionally seem to set out deliberately to tweak Iranian sensibilities. One official delegation visiting Iran flew directly from Tehran to Israel in spite of angry protests from their hosts. But Iran has not been an easy country with which to do business: "Iran is not a gift," noted one Turkmen official.

In a move to blunt Iranian ambitions in the region and reduce its dependence on Russia the US is promoting the construction of oil and gas pipelines that would run under the Caspian Sea from Turkmenistan to Azerbaijan, where US and other international oil companies are set to invest billions of dollars in new offshore fields. The pipelines would then carry on to Georgia before swinging into energy-hungry Turkey. The political advantage of such a line is that it *would benefit the maximum* number of US allies in the region.

Washington also remains hopeful that a sufficient degree of peace can emerge in Afghanistan to build pipelines from eastern Turkmenistan to Pakistan and India via Afghanistan. But some industry executives point out that promoters of the scheme have so far only *focused on overcoming the* Afghan problem, without fully appreciating the degree to which relations between Pakistan and India will also have to improve if the full potential of a gas pipeline is to be realised.



Caspian capers: building southern bridges

India wants to use Turkmen gas as a feedstock for fertilizer production, but it is unlikely to allow such a strategic industry to grow dependent on a pipeline *partially under Pakistan's* control. So Indian officials and companies are looking at building a giant urea plant close to a gas field in Turkmenistan.

The scale of the project is such that 30 freight trains would be constantly shuttling back and forth from Turkmenistan to the Iranian port at Bandar Abbas, with an additional 10 trains loading *or unloading* at any given time.

Diplomats in Ashkhabad admit that the Iranian rail system is the weak link in such a scheme, but they say that Iran should be brought in as a partner to ensure the project's success.

Many western oilmen believe the growing commercial interest in using Iran as a bridge to central Asia's energy riches is unlikely to be undermined by US political exhortations, unless Washington is prepared to back up its alternative pipeline plans with billions of dollars and a concerted diplomatic offensive to solve some of the region's most intractable political problems. The former is a big hurdle even with a US budget surplus while the prospects for the latter are remote: "You're not likely to see the US do a Bosnia in Afghanistan," agreed one western diplomat.

Robert Corzine

Israel refuses to order troops withdrawal

By Avi Machlis in Jerusalem

Israel's government yesterday decided it would not withdraw from any land in the occupied West Bank land until the Palestinians complied with a list of Israeli conditions. Furious Palestinian officials said the move doomed any chance of reviving the peace process in talks next week in Washington.

"These are new games of deceit and stalling tactics," said Saeb Erekat, senior Palestinian peace negotiator. Palestinians are waiting for Israel to carry out an overdue troop withdrawal from a still undetermined portion of the West Bank.

Bill Clinton, US president, and Benjamin Netanyahu, Israeli prime minister, will meet next week. Yassir Arafat, president of the Palestinian Authority, will meet Mr Clinton later next week.

Madeleine Albright, US secretary of state, said Israeli and Palestinian leaders would have to "make tough decisions" in order to revitalise the peace process.

Israel accused the Palestinians of failing to fulfil commitments laid out in the "note for the record" in a deal last year in which Israel handed over most of the West Bank town of Hebron to them.

Israel, for example, accused them of having failed to annul portions of the Palestine Liberation Organisation covenant that call for Israel's destruction. Palestinian officials say the amendments were made in 1996. *They plan to* respond to the accusations by reminding officials in Washington next week of a list of 35 Israeli violations of peace accords that have been presented to the US.

Israel's main complaint is that Palestinians have failed to crack down on militant Islamist groups opposed to the peace process which have carried out suicide bombings against Israelis.

But Palestinian officials scoffed at this charge – especially as, earlier this week, Palestinian security forces co-operated with Israel in the discovery of 700 kg of explosives *in a bomb-making factory in* the West Bank town of Nablus.

Palestinians also see the Israeli government decision as proof that the Jewish state is not committed to continuing the peace process based on the land-for-peace formula. Some political analysts said the Israeli decision marked the government's increased dependence on rightwing nationalist coalition members, after the resignation of David Levy, foreign minister, and four of his deputies last week.

NEWS DIGEST

Steel output rises by 6.6%

World crude steel production soared last year to record levels despite the economic slowdown in Asia in the second half of 1997, according to preliminary estimates by the United Nations Economic Commission for Europe.

The ECE said yesterday that global output last year reached 798.5m tonnes, up 6.6 per cent from 1996 to surpass the previous peak of 784.9m tonnes in 1989.

Higher growth in Europe and a steady increase in steel-making capacity in the US and Asia were the main factors behind the boom last year, though industry forecasters expect the economic crisis in Asia to provoke much weaker global market conditions in 1998.

According to the ECE, China remains the world's largest crude steel producer, manufacturing 107m tonnes in 1997, followed by Japan, the US, Russia, Germany and South Korea. Korea, *buffeted by Asia's financial* turbulence, boosted production by more than 8 per cent last year. Taiwan, a smaller but increasingly significant producer, raised output by nearly a third while Japan, despite sluggish consumption growth at home, managed a 6 per cent increase in production helped by expanded steel exports.

Frances Williams, Geneva

■ ALGERIAN DEATH TOLL

Government disputes numbers

The Algerian government yesterday accused some local newspapers of deliberately exaggerating death tolls in their reporting of some of the country's worst massacres.

French-language dailies Al Watan and Liberte yesterday said that 400 people had died in Sidi Hamed, a village 20m south of Algiers, contradicting the government's official death toll of 103. The interior ministry questioned the "macabre accounting" and said it was "surprised one more time at the willingness to exaggerate a situation which is already dramatic".

The government has sought to underestimate casualties in the six-year conflict and only provides death tolls for the biggest massacres, but sources in Algiers who visited Sidi Hamed said yesterday that the government's count in this case was much closer to reality than claims by the two newspapers.

Roula Khalaf, London

■ ZIMBABWE

Protest at cost of goods

Hundreds of people took to the streets in Zimbabwe's capital Harare yesterday to protest against price increases in basic commodities.

"The demonstrators called on President Robert Mugabe to intervene and re-introduce subsidies on essential goods," the state news agency Ziana said of protests in *Mabvuku, one of Harare's poorest suburbs.*

It said demonstrators forced shops in the area to close in the morning. They re-opened in the afternoon.

Zimbabwean manufacturers and retailers raised the price of basic commodities by between 17 and 45 per cent on January 5, citing the steep fall of the Zimbabwe dollar against hard currencies and increased costs in the last quarter of 1997.

On Sunday, Chen Chimutengwende, information minister, accused the mainly white business community of plotting to foment social unrest through indiscriminate price increases to retaliate against government plans to forcibly buy 5.5m hectares of mostly white-owned farmland.

Reuters, Harare

Abandon link to abortion, secretary of state tells Congress

Albright in plea for IMF and UN funding

By Bruce Clark in Washington

Madeleine Albright, the US secretary of state, yesterday made an impassioned plea to Congress to release funding for the United Nations and International Monetary Fund and to stop linking this funding to abortion policy.

"The fact that we are so far behind in our payments to these organisations hurts America," said Mrs Albright, in a speech laying out her priorities for the year.

"It undermines our proposals for making the [organisations] more efficient, and it's an open invitation to potential adversaries to run America down," she added, describing as "truly ridiculous" the conditions set by anti-abortion activists for funding the two international bodies.

She accused Congress of "holding hostage" America's participation in world organisations and added: "In 1998, we will insist that the hostage be released."

The secretary of state, keen to correct the impression that she is leaving the handling of Asia's economic crisis to the Treasury, said the IMF was a vital tool in restoring confidence and promoting reform there.

Reforms in Asia must include market-opening measures, the restructuring of financial sectors and greater investment transparency, she added, promising more detailed statements in the coming week.

Mrs Albright said payments to international organisations was one of four big "legislative tests" facing US foreign policy this year. The others were: backing the Dayton peace agreement, and continued US peace-keeping efforts in Bosnia; endorsing the enlargement of Nato; and approving an economic initiative for Africa.

Congress badly disappointed the administration last November by going into recess without approving $3.5bn in funding for a new IMF credit line known as New Arrangements to Borrow, and over $800m in arrears to the United Nations.

The blockage of the UN arrears derailed a plan to reform the world body and gradually pay off US debt which had been crafted by Mrs Albright and Senator Jesse Helms, head of the Senate foreign relations committee. Senator Helms, who holds strong anti-abortion views, was in effect outbid by House Republicans who are even more zealous in that cause.

The administration will resume its effort to secure the money when Congress reconvenes at the end of this month. House Republicans are expected to maintain the linkage between UN funding and abortion.

The refusal by the House of Representatives to disburse the requested funds followed the failure of hectic negotiations on the precise legislative language that will govern US support for international family planning organisations.

Both conservative Republicans, who say they want to stop taxpayers' money indirectly subsidising abortions in other countries, and the White House claimed to have offered compromises and each accused the other of intransigence.

Albright: making an impassioned plea to hard-nosed Congress

Banks told to shoulder Asia burden

By Nancy Dunne in Washington

US Democrats in Congress are demanding that western banks shoulder more of the burden of the bail-out of troubled Asian economies before they support President Bill Clinton's push for more funding for the International Monetary Fund.

Democratic head counters estimate that only about 150 of 431 congressmen from both parties in the House favour new IMF funding. President Clinton is seeking $3.5bn for the Arrangements to Borrow fund and $14.5bn for the US share of new IMF resources. To bolster support from his own party, key Democrats are saying privately that western banks will have to be consistent in deciding which loans to roll over, charge no fees and not raise interest rates. They also seek more transparency at the IMF and greater detail of all rescue operations.

New money for the IMF is particularly unpopular in an election year, with voters concerned that their taxes are going to save foreign companies and big banks. A coalition of political figures from both left and right is forming to oppose the funding. However, Jeff Faux, president of the labour-backed Economic Policy Institute, said it would differ from the alliance that defeated Mr Clinton's bid for fast track trade negotiating authority last year.

House Democrats broadly support IMF demands for restructuring Asian economies in a way that would open their markets to foreign investment and imports. But they also want social programmes – such as unemployment insurance – to give Asian workers a safety net.

"Most of the resistance is coming from the Republican side," Mr Faux said. "With the Democrats the president has a basis for negotiation. They don't want to go against him again. And they are not against the idea of having a bank that can step in and provide liquidity for economies that are going down the tube."

Thus far however Richard Gephardt, the House Democrat leader, is the only congressional leader who has promised support for IMF funding.

Jerome Levinson, a law professor at American University, who is helping the Democrats craft their strategy, argues that the "draconian austerity" imposed by the IMF does not attract investment but simply puts the burden of the bailout on Asian workers and western taxpayers. It increases US imports and slows US growth.

Alan Tonelson of the US Business and Industrial Council, accepts the argument now being circulated by many Republicans that the Mexican bailout made the Asian bailout inevitable. "It was interpreted as a guarantee that countries will not be allowed to go bankrupt."

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NEWS DIGEST

1997 inflation at crawl in US

US consumer price inflation slowed to a crawl last year, in spite of sustained robust growth and the lowest unemployment rate in a generation.

Consumer prices edged up by just 0.1 per cent in December, the Labour Department said yesterday, taking the change on a year ago to 1.7 per cent, the best inflation performance since 1986.

Combined with an unemployment rate last month of just 4.7 per cent, the so-called "misery index", the sum of the unemployment and inflation rates, was just 6.4 per cent at the end of 1997, the lowest since 1964.

Excluding highly-volatile food and energy prices, which sagged for most of the year, the core rate of inflation was slightly higher, at 2.2 per cent in the year to December, but that too was a 22-year low.

The remarkable inflation performance was the result of a number of factors. Weakness in world commodity prices pushed down costs for suppliers, as did the strong dollar throughout the year. Domestic prices rose faster, but were still restrained. Prices for services rose by 2.8 per cent during 1997. *Gerard Baker, Washington*

■ INTEL

Go-ahead for acquisition

Intel, a target of federal anti-trust investigations, is to be allowed to proceed with a controversial acquisition which will reinforce its dominance of the computer microprocessor market.

The Federal Trade Commission yesterday said it would not block Intel's $420m offer for Chips and Technologies, a leading seller of graphics chips which control devices such as flat panel displays for portable computers.

However, the FTC said it would fold an inquiry into its continuing review of the business practices of the group, which commands 88 per cent of the $16.6bn market for microprocessors. *Nicholas Denton, San Francisco*

■ CONSUMER CONFIDENCE

'Unrealistic' optimism

US investors' confidence remains strong despite the extreme market volatility of the past three months, according to a new survey by Gallup, the polling organisation, and Paine Webber, the New York investment bank.

While equity strategists are expecting a return of 7-8 per cent from the US equity market this year, the poll found 60 per cent of small investors were expecting returns of at least 10 per cent, with 12 per cent predicting returns of more than 20 per cent.

The findings confirmed the optimism of US investors, and renewed fears their expectations were unrealistic. Mark Sutton, Paine Webber's director of private client investing, said: "We must make every effort to educate those investors who unrealistically expect 20 per cent annual growth or better." *John Authers, New York*

■ WHITE HOUSE CHIEF

Bowles to stay in office

US President Bill Clinton's top aide, White House chief of staff Erskine Bowles, yesterday put an end to long speculation over his departure and announced he was remaining in office.

He said had grown excited over the president's agenda for 1998 and the prospects for a projected balanced budget had presented to pursue an activist social agenda along with continued fiscal discipline.

Mr Bowles, a North Carolina investment banker and former head of the Small Business Administration who took up the post in January 1997, said that he would remain in his job for a "long period of time" and would encourage other senior White House aides to stay. *Reuters, Washington*

■ ASIAN CRISIS

Warning on Latin economies

Asia's financial crisis will generate "a rough ride" for Latin America's economies during the coming year, according to Claudio Loser, director of western hemisphere affairs at the International Monetary Fund.

Mr Loser, the Fund's senior official responsible for Latin America, predicted no financial free fall for the region. He he remained convinced the governments of the region "have the will and understanding to maintain confidence". *Heather Bourbeau, Washington*

■ ELECTION UPHEAVAL

Guyana bans demonstrations

Guyana has banned all street demonstrations and marches following looting in Georgetown, the capital. The civil disorder followed the failure of the main opposition party to persuade the courts to remove Janet Jagan, the president, from office. Armed soldiers and police patrolled the city yesterday as stores, offices and government buildings remained shuttered, and schools closed.

Sam Hinds, home affairs minister, accused the opposition People National Congress of being behind the sporadic outbreaks of violence since the December 15 election, which the PNC claims was fraudulent. The PNC denies involvement. *Canute James, Kingston*

Chilean lessons for Asian crisis

Stephen Fidler explains how Santiago responded to 1980s problems – and charts the parallels today

As international policy makers fight Asia's financial fires, some are turning their attention in an unexpected direction: Chile.

The reason? Of all Latin America's financial crises of the past two decades, the Chilean crisis of the early 1980s bears most resemblance to Asia's financial emergencies of today.

Beyond that, Chile has been resilient in the face of recent bouts of financial stress. The economy is not immune to Asia's current problems – a greater share of its exports go to Asia than any other Latin country and its currency depreciated 4.6 per cent last week.

However, Chile's consistent economic growth during the 1990s suggests that the lessons learned in its crisis – in particular its decision to stem inflows of short-term capital – could a guide to other countries.

Unlike the crises that hit most of Latin America in the early 1980s, Chile's was created in the private sector.

A fixed exchange rate had encouraged banks and corporations to borrow heavily in dollars, loans which became unpayable after a forced devaluation. The government eventually bore most of the cost as it took over loans to foreign creditors.

The crisis required government aid to the banking system of more than 20 per cent of gross domestic product, and provoked a recession in which the economy contracted 15 per cent.

The lessons of that bitter experience still inform Chilean economic policy.

Although Chilean policymakers do not advertise their policies as a blueprint for others, officials at the Washington-based financial institutions are seeking lessons from its experience.

So what have been the salient features of Chilean policy?

● **Strict regulation of the financial system:** A banking law, effective since 1986, has provided strict guidelines on the behaviour of banks. They have been rigorously applied by a tough, independent bank supervisor with well paid staff.

Among other things, they forbid banks to hold shares in companies or banks, stop banks granting credit and opening subsidiaries abroad, provide strong rules to prevent the build-up of currency mismatches, and include strict provisioning rules. A new banking law, passed last year will ease some requirements, but only cautiously.

● **Rules to discourage inflows of short-term capital:** Any loan or bank deposit originating from abroad and made in Chile requires a 30 per cent deposit, paying no interest, to be placed for one year at the central bank. This applies whatever the maturity of the deposit or loan, and includes inflows into the Chilean stock market (except for new issue American Depositary Receipts).

This is debatably an extension of the strict rules for the banking system. Foreign direct investment comes in under a different regulation, and must be approved by the central bank.

● **A strong macroeconomic policy framework:** The public sector runs a significant and consistent fiscal surplus of 1-3 per cent of GDP, depending on the price of copper, still its main export. This is important because capital inflows have been substantial. The central bank "sterilises" the inflows – by selling peso-denominated paper into the local market – to offset the impact of the inflows on money supply.

This in turn implies a so-called quasi-fiscal cost – the bank is issuing relatively high-cost peso debt in return for increasing its foreign exchange reserves, which yield less.

The existence of the fiscal surplus means that issuing the paper to sterilise does not "crowd out" private sector borrowers. There is also, thanks in part to the development of private pension funds, a well developed local capital market to allow sterilisation to be effective.

Monetary policy is controlled by an independent central bank quick to respond to signs of economic overheating. The current account deficit has been kept in check, and exchange rate flexibility maintained. The government never issues paper in foreign currency.

Clearly, the system has flaws. Because Chile's interest rates are high, even after adjustment for likely currency depreciation, loopholes are often exploited to get money into the country. Short-term inflows have been disguised, for example, as export advances and as foreign direct investment.

Central bank regulations have been adjusted to try to cover these gaps, but at the cost of the original virtue of the rule: its simplicity and transparency. Thus, the central bank has large discretionary powers – though in practice, there have been few complaints about the way it has used them.

In the area of financial supervision, some observers see gaps. The bank supervisor "needs to improve the supervision and control of consolidated financial conglomerates," researchers at Salomon Brothers argued in a report in July.

Moreover, the rules have not been able to rein in the corporate sector – particularly big companies with foreign capital, which have issued new shares and borrowed abroad. As a result, says one official in Washington: "The foreign currency exposure of the economy is higher than it would have been five or six years ago."

Since companies rather than banks have built this exposure, it is less worrying for policymakers, as depositor funds are not at risk. But corporate debt abroad can turn into an important public policy problem.

Most observers agree many aspects of the Chilean experience – including its fairly apolitical application of the rules – would be difficult to replicate elsewhere.

"The main exportable lesson from Chile is that strong regulation of the banking system is a prerequisite for financial stability. It's better to be safe, and extremely wary about financial liberalisation," says the Washington official.

Argentine banking under fire

By Stephen Fidler, Latin America Editor

Argentina's banking system remains weak despite improvements to bank supervision and regulation since a 1995 crisis, according to a report published yesterday by the credit rating agency, Moody's Investors Service.

The report says the system still suffers from poor disclosure standards and unreliable reporting of problem loans, one aspect of weaknesses that remain in the surveillance and the prudential supervision of the banking system.

Banks' asset quality remains poor and profitability among the weakest in Latin America. Retail deposits remain mobile, with average duration of deposits 70 days. "Banks lack a reliable and sustainable level of retail deposits," it said. Weak institutions remain among private, public and co-operative sector banks.

Mexican police fire on Chiapas protesters

By Henry Tricks in Mexico City

Mexican police have opened fire on a crowd of Indian protesters in south-eastern Chiapas state, killing one women and wounding two - including a two-year-old girl. The incident was the latest evidence of crisis in the state that has spurred Mexicans to take to the streets clamouring for an end to the bloodshed.

The Party of the Democratic Revolution had organised national demonstrations in a day of protest over the killing on December 22 of 45 Indians in the Chiapas town of Chenalhó. A crowd of some 100,000 demonstrators were in Mexico City's main square late on Monday when organisers announced news of the attack by police in the Chiapas town of Ocosingo. Police opened fire on marchers sympathetic to Zapatista rebels in Ocosingo after the Indians encountered police on the outskirts of town and began hurling rocks. Television images showed the police firing tear gas canisters, then guns into the air. As the truck pulled away, the police lowered their weapons and fired at the crowd.

Chiapas Governor Roberto Albores, who took office last week after his predecessor stepped down in the wake of the December massacre, said 26 police were being held in custody for the Ocosingo shootings. But the arrests were unlikely to satisfy Mexicans who are increasing pressure on President Ernesto Zedillo to change tack in Chiapas.

Peace talks with the rebels, who rose up for indigenous rights on January 1, 1994, have been stalled since 1996. Anti-Zapatista paramilitary groups, such as the one that carried out the Chenalhó massacre, have mushroomed since, with links to Mr Zedillo's Institutional Revolutionary party.

The rising tensions led to one of the biggest rallies in the capital for years on Monday, the anniversary of a ceasefire in 1994 12 days into the Zapatista's armed uprising.

Blaming Mr Zedillo for the massacre, a the demonstrators marched up Mexico City's main boulevard, demanding troops return to barracks in Chiapas.

Ridiculing the army, marchers bore a uniformed pig with a bloodstained snout. They carried coffins, candles and wreathes for the massacre victims. As the march took place, Interior Minister Francisco Labastida Ochoa, whose predecessor was also removed this month, named Emilio Rabasa Gamboa, a lawyer and scion of a powerful Chiapas family, to be the government's new peace negotiator. The former negotiator, Pedro Joaquín Coldwell was ousted after he suggested the Chiapas conflict had surpassed the government's ability to handle it.

NEWS: ASIA-PACIFIC

IMF stance lifts shares in Jakarta

By Peter Montagnon and Sander Thoenes in Jakarta

The Jakarta Stock Exchange rebounded yesterday after the International Monetary Fund indicated it would give Indonesia some leeway in meeting budget targets and US officials praised the country's commitment to reforming the economy.

Stanley Fischer, IMF deputy managing director, said the Fund would not press Indonesia on meeting the previously agreed budget surplus of 1 per cent of gross domestic product. "It wouldn't make economic sense for it to be in surplus under the circumstances," he said.

"The IMF never insisted on the budget remaining independent of the state of the economy. I think it's reasonable to assume... the economy is not growing as rapidly in 1998 as we assumed two months ago."

Share prices jumped more than 9 per cent to 382.14 points, reversing part of last week's losses as traders awaited the outcome of President Suharto's talks on economic reform with top delegations from the IMF and the US government.

The enthusiasm was matched in the exchange markets where the rupiah recovered strongly against the US dollar after opening weaker. It was trading at around 8,200 in late trade after softening to 9,300 shortly after the opening in Jakarta.

But in spite of the market rebounds, nervousness remained over the private sector's ability to repay more than $59bn in debt coming due this year.

The continuing procession of visiting US officials also provided evidence of concern over Indonesia's political and economic stability. William Cohen, US defence secretary, arrived hard on the heels of Larry Summers, US deputy treasury secretary. Mr Summers met President Suharto at his residence and shortly afterwards said the elderly leader "recognises the need to take strong steps of the kind that has been under discussion with the IMF to create confidence".

Talks between Mr Fischer and top Indonesian finance officials continued before today's arrival of Michel Camdessus, IMF managing director, who is expected to wrap up a deal tomorrow.

Sudradjad Djiwandono, governor of the central bank, indicated the government may revise its own assumptions about economic growth and inflation. It predicted 4 per cent growth and 9 per cent inflation in its draft budget presented last week, which sent the markets into a tailspin as traders felt it indicated the government was not serious about solving the currency crisis.

Economists said that besides higher debt service payments as a result of the weaker rupiah, the government also now faced a shortfall in revenues from oil and gas as crude prices sink to a 30-month low.

Gillian Tett adds from Tokyo: Ryutaro Hashimoto, Japan's prime minister, yesterday telephoned Bill Clinton, the US president, to discuss ways of encouraging Indonesia to stick to the IMF agreement.

Mr Hashimoto expressed his unease over recent events, Japanese officials said. One official yesterday added: "It is fair to say that we are very concerned (about Indonesia.)"

Japanese banks are understood to be particularly uneasy, because they account for about 40 per cent of loans to Indonesia.

Japanese accept US bad debt standards

By Gillian Tett in Tokyo

Japanese banks yesterday pledged to change the way they calculate bad loans to bring them more into line with US standards.

Naotaka Saeki, chairman of the Japan Bankers Federation, said banks would add two new categories of bad loans to their definitions to provide a more wide-ranging definition. The move is the latest government attempts to improve disclosure standards before the planned Big Bang deregulation.

The move also follows revelations by the Ministry of Finance that the level of potentially problem loans held by Japanese banks is some Y76,710bn ($753bn).). This is more than twice as high as previously acknowledged.

The difference between the latest figure and earlier numbers reflects discrepancies in the measurement of bad loans. Japanese banks have hitherto used a narrow definition, only terming them "bad" if they were virtually unrecoverable. These have been widely criticised by analysts as severely understating the problem.

However, ministry figures released this week use a much broader definition to include loans that are being "closely monitored", but have not defaulted or been restructured. This definition is primarily intended as a reference point by regulators, and is not planned as a normal banking standard.

The ministry has also been urging the banks to change their own industry definition of bad loans to bring it more into line with US standards. US standards are tougher than existing Japanese standards, since they force banks to report any loans fallen into arrears after three months, rather than six months as currently used in Japan.

Territory's markets shrug off credit agency's move and rebound 7%

Moody's decides on HK review

By John Ridding in Hong Kong

Moody's, the US credit rating agency, yesterday placed Hong Kong's short-term currency obligations under review, underlining the pressures facing the Hong Kong dollar amid the regional economic crisis.

Financial markets shrugged off the news and the territory's stockmarket index rebounded by more than 7 per cent to record its first daily gain of the year and interbank interest rates eased from Monday's high levels.

Moody's said its review, which concerns the prime-1 short-term rating for the territory and two of its biggest banks, was prompted by the "increasingly adverse" consequences of the regional financial turmoil. However, it added that Hong Kong's economic fundamentals remain strong.

Financial analysts said that pressures on the Hong Kong dollar peg to the US dollar were already factored into market rates, citing a premium of more than 400 basis points for Hong Kong interest rates over US rates.

"Ratings agencies have been under fire for missing crises in the region," said the banking analyst at one investment bank. "Maybe they don't want to be caught short again." S&P, Moody's rival, said it had not changed its ratings for the territory or placed it on watch.

The Hong Kong Monetary Authority, the *de facto* central bank and guardian of the currency peg, said it would assure Moody's that the territory's peg to the US dollar would be maintained. "Hong Kong has no external debt, huge foreign exchange reserves of more than US$90bn [£55.9bn] and sound economic fundamentals," a spokesman said. "Local banks are not over-exposed to regional countries in financial difficulties."

Hongkong Bank said it was disappointed that Moody's had decided to review its short-term term rating. Hang Seng Bank, a subsidiary of Hongkong Bank, and Bank of America (Asia) were also placed under review.

Despite Moody's action, tension eased in Hong Kong's financial markets yesterday, with the three-month interbank rate falling from 18.5 per cent to 16.5 per cent and overnight rates falling from 15 per cent last night to about 13 per cent.

However, most analysts remained cautious about Hong Kong's prospects, predicting a protracted period of raised interest rates and a significant impact on the property market.

Residential property prices have fallen by about 20 per cent since the region's currency turmoil erupted last year. ING Barings, the investment bank, warned this week of a further 30 per cent fall as a result of higher interest rates.

The sombre mood in the sector was underlined yesterday by a small attendance at the first government land auction of the year and lower than expected prices. The biggest site on sale fetched HK$250m ($32.2m), compared with previous estimates of about HK$400m.

Shares of China-backed companies, or "red chips", rallied after sharp falls this year on fears China might be forced to devalue its currency, and the collapse of Peregrine, the investment bank with stakes in several mainland-backed companies. The "red chip" index jumped 43 points yesterday to close at 1,007.28.

A Hong Kong shop hung with signs offering property for rent or sale Reuters

First relaxation of nation's rigid labour laws

Seoul to make it easier to sack finance workers

By John Burton in Seoul

The South Korean government will introduce legislation tomorrow allowing job cuts at troubled financial institutions, while conglomerate chiefs promised to support industrial restructuring measures.

Michel Camdessus, managing director of the International Monetary Fund, praised Korean reform efforts as he completed a two-day trip to Seoul to review the implementation of a $58.5bn rescue package.

South Korea's main political parties have agreed to pass the law allowing the job cuts in the first relaxation of the nation's rigid labour laws. Dismissals are expected to begin later this month at 19 bankrupt financial institutions.

Mr Camdessus said redundancies were necessary to attract foreign investment in the financial industry, which has high staffing levels.

But he said moves to reduce jobs must be matched by efforts to improve Korea's meagre social safety net, including increased unemployment benefits and job training schemes.

The government has proposed increased spending on unemployment programmes to at least Won4,500bn ($2.5bn) from Won2,000bn. The IMF director suggested social welfare costs could be financed by budget cuts for other projects.

To appease union anger over job cuts, Mr Camdessus emphasised that burden of economic adjustment must be shared so "the workers will not be alone in paying the price". Shareholders must expect to lose investments, managers of badly run companies their jobs, and government will have to cut its budget.

With unions demanding that the power of nation's giant conglomerates, or *chaebol*, be reduced, Kim Dae-jung, president-elect, yesterday met the owners of leading groups to gain their approval for reforms that could reduce the sprawling industrial empires.

Mr Kim is proposing that cross-payment guarantees on debt among *chaebol* subsidiaries should be abolished, with the conglomerates producing consolidated financial accounts to improve their transparency. Chaebol owners must also take greater legal responsibility for business decisions that go awry.

The *chaebol* have been criticised for wasting money through excessive investments in production capacity and reckless expansion into new industries.

Mr Camdessus defended the IMF's demand for high interest rates against criticism that the policy threatened to cause a severe economic downturn.

High interest rates were necessary to "stabilise the economy and re-establish the exchange rate at proper levels" and should remain in place until foreign confidence in Korea is restored.

The finance ministry said yesterday increased stability of the South Korean currency, the won, had led to higher foreign investment in financial markets since the beginning of the year in spite of falls in other Asian markets.

Net foreign investment in the Seoul bourse totalled Won906bn over the past month after overseas investors were allowed to acquire up to 55 per cent in listed companies. However, the full opening of the bond market has been less successful, with net foreign investments amounting to Won72.2bn because of fears of corporate bankruptcies.


Michel Camdessus (centre) shakes hands with officals from Korea's trade union federation in Seoul yesterday Reuters

Malaysia's 'multimedia super corridor' in danger

By Sheila McNulty in Kuala Lumpur

Malaysia said yesterday it would curb spending on information technology, raising the likelihood that the nation's most grandiose megaproject – the "multimedia super corridor" – will suffer delays.

The proposed 750 sq km corridor is the last of several important megaprojects backed by the prime minister, Mahathir Mohamad, to encounter delay since Asia's financial turmoil struck last year.

The corridor, which will incorporate two new cities, Putrajaya and Cyberjaya, is Dr Mahathir's particular favourite. He regards it as essential to the country's intended transformation from assembly manufacturing to information technology.

Dr Mahathir and other senior officials have said on many occasions that the corridor project, which is estimated to cost a total of around M$50bn (US$10.8bn), will go ahead as scheduled.

Nippon Telegraph and Telephone, the Japanese telecoms giant, Oracle, the US computer company, Microsoft, the US software company, and scores of other leading technology companies have have expressed interest in setting up in the zone.

But yesterday, Othman Yeop, chief executive of the Multimedia Development Corporation, which is developing the corridor, said the economic crisis may force a slowdown in the development of some products and services in the zone.

"In terms of government expenditure on IT, to ensure they can balance their budget, there has to be a scaling down," Mr Othman said. "It touches on the development of flagship applications."

He added that the matter would be reviewed during a meeting in mid-February of international information technology companies that are on a panel advising Malaysia on the project.

Observers said one reason for the expected delay was that the companies charged with building Putrajaya and Cyberjaya are no longer able to raise adequate capital. Most of the financing was expected to be derived from share issues, but the stock prices slide since the middle of last year has closed this avenue.

Local banks have sharply scaled back lending under official instruction, meaning that debt finance has also become all but impossible. The setback for the corridor project is the latest in a series of blows to the economic vision of Dr Mahathir, who has regarded such grandiose infrastructure investments as a way to speed growth in the wider economy.

But, one by one, the projects have been put off. The M$13.6bn Bakun dam project, a mountain highway linking three hill resorts in peninsular Malaysia, a plan to reclaim islands off the north west coast and build in international airport on one of them, and a proposed road and rail link from Malaysia to Thailand have all been postponed indefinitely.

Way out of Thailand can prove to be tricky

Until Bangkok's currency stability returns, restructuring of debt 'will be characterised by a highly disorderly process and improvisation'. Ted Bardacke reports

The latest "How To" guide for foreign investors in Thailand does not offer typical advice on regulations governing overseas investment. Instead, the glossy publication put out by a top New York law firm is all about how to extricate one's self.

"Restructuring Eurobond Debt in Thailand", written by lawyers affiliated with Orrick, Herrington & Sutcliffe, has a large readership. With Thailand's economic downturn strafing the corporate sector, at least five Thai Eurobond issuers have defaulted on $350m-worth of debt.

The lawyers reckon that other bondholders are "likely to find themselves in the midst of a complex series of restructurings that eventually may encompass much of the $4bn-worth of Thai corporate Eurobonds" issued by more than 40 different companies.

Commercial banks, both domestic and foreign, will be involved. Forget the talk of an official debt moratorium declared by the Thai government; with the number of insolvencies rising in Thailand daily as the baht falls, there is already a *de facto* moratorium being imposed by the private sector.

"If all the companies who owe dollars go to the Bank of Thailand with baht to get dollars, there wouldn't be enough to go around," says a European banker in Bangkok. "But the companies don't have the baht, and they're not going to get enough of it either."

Bankers say there is often little they can do with corporate customers who do not pay their debt. Thailand's antiquated bankruptcy law means foreclosure can take years, if not decades.

Financial institutions are not allowed to lend new money to a company that is insolvent, in effect preventing the bridging loans which traditional restructuring often requires.

Thus, with most of the legal cards held by borrowers, banks are likely simply to write off the loans of the truly bankrupt.

But in many other cases – such as Thai Petrochemical Industry or Srithai Superware, which have stopped making principal repayments on nearly $5bn in debt but continue to pay interest – the underlying businesses may be profitable, especially if the companies can manage to secure a new injection of capital. Banks then do a lot of hand-holding.

"We used to pamper our clients and now we have some leverage," says Pornsanong Tuchinda, President of Thai Danu Bank, a middle-size commercial bank. "We are acting as a restructuring service for many of our clients right now."

It helps, bankers say, if management and leading shareholders (often one and the same) agree to have their roles reduced. "Management has to face reality, get out of some businesses and sell out to foreigners. That's the toughest part," says Mr Pornsanong, who last month sold a majority stake in his bank to DBS of Singapore.

Opaque management styles hurt as well. In two Eurobond defaults, senior management have been accused of fraudulent practices. A deal that would have resolved part of the problem at one of the businesses fell through because of too much distrust between borrower and lenders. Crédit Agricole Indosuez got so fed up with management at the other group that they sued and won, but so far have been either unable or unwilling to enforce the judgment.

In addition to new capital, most debt restructurings are likely to involve some form of debt-to-equity swap. "We don't like it but we have to do it," says James Stent, executive vice-president of Bank of Asia, another Thai bank. "But when the turnaround comes we will be able to sell these companies at a tremendous profit."

Many western commercial banks are wary of holding equity in far-flung struggling concerns in industries where they have no expertise. But they have options as well.

Thai corporate debt is being actively traded at a discount in unofficial markets, with institutions such as Bank of America, Goldman Sachs and CS First Boston particularly active. These "distressed debt" teams are often linking up with venture capitalists willing to inject new capital and buy the equity held by financial institutions once a restructuring plan is agreed on.

Still, these moves are risky. Some bank debt, for example, has traded at an 80 per cent discount, but a company could still collapse if a new investor is not found. After buying up the Eurobonds of one failed finance company, CS First Boston unsuccessfully tried to convince Thai authorities to let them take it over.

But soon the rules of the game may change.

Proposed amendments to Thailand's bankruptcy law strongly supported by the new Thai government will give creditors a much greater say in the development of debt restructuring plans, precisely the reason the amendments are at present being help up by the country's conservative Senate.

Until there is enough currency stability to give potential new foreign investors a limit to their risk and new bankruptcy procedures are not only amended but tried and tested, the lawyers conclude that loan workouts will continue to be "characterised by a highly disorderly process and improvisation".

NEWS DIGEST

Hostage at Tokyo exchange

A Japanese gunman yesterday held a senior government official hostage at Tokyo's stock exchange to protest against Japan's planned "Big Bang" deregulation and the recent financial crisis.

The man was later overwhelmed by police and the hostage was released unharmed after six hours. Trading continued at the TSE, with the Nikkei 225, the main measure of stock market activity, closing 0.62 per cent higher at 14,755.94.

The incident highlighted the weakness of security measures in many of Japan's key financial institutions. It also comes amid growing criticism over recent plunges in the Nikkei and the way the government has handled the financial crisis.

The gunman was a member of an extreme rightwing group, police yesterday said. They said he was a disciple of Shusuke Nomura, founder of the "Wind" party, who committed suicide in 1993 in the offices of Asahi newspaper group after criticism of his views. *Gillian Tett, Tokyo*

■ AID DISCUSSIONS

Taiwan PM ends Manila visit

Vincent Siew, Taiwan's premier, yesterday returned from a surprise visit to Manila where he met President Fidel Ramos to discuss Asian economies. Mr Siew also met Mitsuo Sato, president of the Manila-based Asian Development Bank, to discuss the regional crisis and possible ways Taiwan might extend aid to financially troubled neighbours.

He stressed that any aid must fall under the framework of regional economic co-operation. Beijing strongly protested against the trip, made in defiance of Chinese warnings to Taipei not to use Asia's deepening financial crisis for political gain. *Laura Tyson, Taipei*

■ CURRENT ACCOUNT

Further Thai surplus

Thailand announced a current account surplus for the fourth consecutive month and the country's central bank said yesterday it expected such surpluses to continue throughout 1998. The November current account surplus was $900m, while the December figure was $800m. For the September to December period, the current account, once one of Thailand's nagging economic worries, was $2.5bn in surplus.

The Thai baht strengthened to Bt55.85 against the US dollar on the release of the figures, compared to Bt56.45 on Monday. Traders said the surplus will reduce the flow of cash out of the country, although they believe the capital account remains in deficit. The Thai stock market closed up 2.9 per cent at 348.96. For all of 1997, the current account deficit was $3.4bn or 2.1 per cent of GDP, well within the the International Monetary Fund target of $6.4bn or 3.9 per cent of GDP. *Ted Bardacke, Bangkok*

■ ASIAN VERSION OF ECU

Japan plan for currency unit

Japanese politicians yesterday floated the possibility of creating an Asian Currency Unit in the region in response to mounting financial problems.

The scheme would aim to create an Asian version of the European Currency Unit, which would act as a reference point for currencies, politicians told Japanese reporters. There was no official confirmation of the scheme and some Japanese government officials suggested it could be impractical given the diversity of the region's economies.

A number of Asian currencies have recently broken their traditional peg with the dollar, prompting speculation that a new currency system will be needed for the region. *Gillian Tett, Tokyo*

■ RAIL LINK DELAY

HK airport opening postponed

The opening of Hong Kong's new airport on Lantau island is to be delayed by two months because the planned rail link into the downtown area will not be completed by the due date in April.

Donald Tsang, financial secretary, said yesterday that Chek Lap Kok, the new airport, would now open on July 6 and that the delay would not result in any loss of revenue for the territory. The delay is the latest, and shortest, to bedevil the HK$158bn (US$20.4bn) airport and rail link project which has been held up by disputes between Britain and China over the financing package. China was wary of being left with a big debt pile after resuming sovereignity of Hong Kong from Britain in July last year.

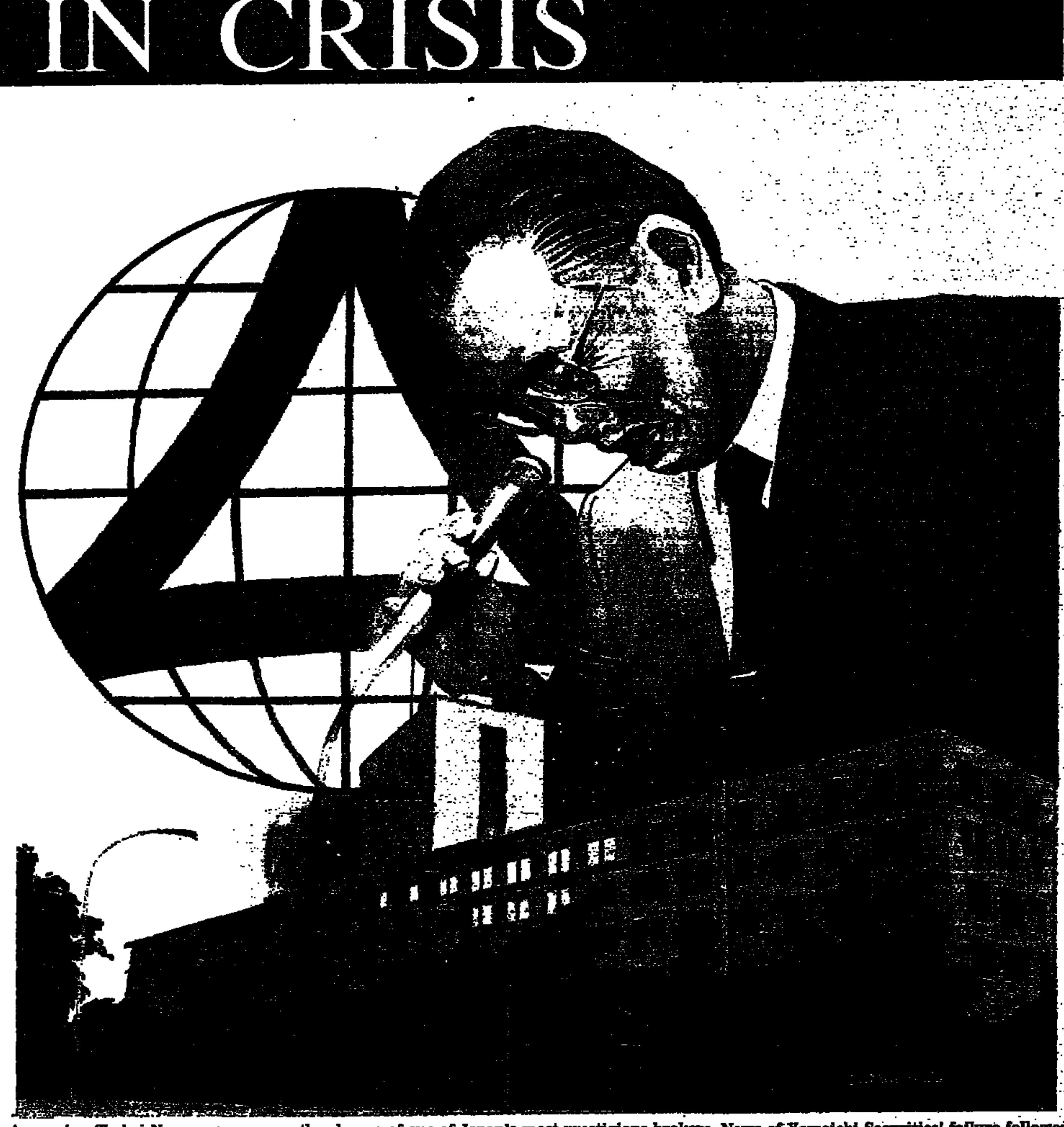
Cathay Pacific, Hong Kong's de facto flag carrier which has invested HK$4.9bn in a headquarters and other facilities at Chek Lap Kok, welcomed the decision to open the airport on July 6. David Turnbull, managing director, said: "After more than a decade of anticipation we are very excited to be moving... *Louise Lucas, Hong Kong*

FINANCIAL TIMES SPECIAL REPORT

ASIA IN CRISIS

The day Japan let a flagship go under

In the third of a series of five reports, Gillian Tett describes how Tokyo faced up to the implications of structural problems in its financial system



A weeping Shohei Nozawa announces the closure of one of Japan's most prestigious brokers. News of Yamaichi Securities' failure followed frantic days and nights at the Ministry of Finance as officials prepared plans to calm the markets

The moment was the stuff of corporate Japan's nightmares. Shohei Nozawa, president of Yamaichi Securities, 59, stepped up to a microphone and quietly started to cry.

As the world's press watched, he explained that his group, one of Japan's most prestigious brokers, had decided to close on November 24. The move, he added, was inevitable following the financial turmoil that was now gripping the markets in Japan.

"I want deeply to apologise to all our clients and shareholders," he added, through wet eyes and a series of bows. "This is truly heartbreaking."

To many westerners, the display was startling. "Can you imagine the head of J.P. Morgan or Goldman Sachs in tears?" muttered one western onlooker. To many Japanese, it smacked more of ritual: corporate Japan has a long tradition of senior executives making public, grovelling apologies.

Either way, Mr Nozawa's tears flashed across the world's television screens highlighted a sense of shock felt that day both inside and outside Japan at the new twist in the region's financial crisis.

"What is happening now is completely unprecedented," one senior government official had admitted a few hours before Mr Nozawa's speech. He had spent days and nights frantically preparing plans to calm the markets, and the strain showed: in place of the bureaucrat's usual dark suit he wore crumpled weekend clothes with an unshaven face.

It was a striking turnabout. When the financial turmoil had first erupted in Thailand in the summer, many Japanese had viewed it with a sense of detachment. Such turmoil, it was thought, might hurt some exporters, but it did not seriously threaten Japan. Indeed, the key question discussed in Tokyo was not whether Japan was vulnerable to the threat of "contagion" – but what the world's second largest economy should do to help countries such as Thailand.

But Yamaichi's collapse had presented Japan with the humiliating sight of the largest corporate collapse in its history. Furthermore, it was the third big financial collapse in November. A few days earlier Sanyo Securities, another broker, and Hokkaido Takushoku, the 10th largest commercial bank, had also failed. Consequently, as Mr Nozawa's tears flowed that day, an alarming new question hung over the markets: was Japan now poised to become's Asia's next financial crisis point, as a string of other well-known financial names collapsed?

The question arose because Yamaichi was not an isolated case. And the tale behind its downfall reveals a set of structural problems which have dogged Japan for the last seven years – and still blight much of the rest of the surviving financial companies.

The company used to be Japan's biggest broker. But in 1965 it ran up huge losses after a stock market fall. That time round, it was saved by co-ordinated government action. But it lagged behind the other "big Four" brokers – Nomura, Daiwa and Nikko.

During the 1980s bubble, this barely mattered: as stock markets soared, Yamaichi notched up record Y230bn profits in 1989 and aspired to become a global player. But when the bubble collapsed in 1990, stock market turnover fell sharply and profits collapsed. When land prices fell too, bad debts soared.

In a western context, this might have prompted rapid restructuring. But Yamaichi – like the rest of Japan's financial industry – spent the following seven years denying the problems. As losses mounted, it partly concealed them by using a peculiarly Japanese practice known as *tobashi* – the habit of shuffling them between accounts. The company avoided shareholder scrutiny with another Japanese custom – paying *sokaiya* – racketeers – not to ask "embarrassing" questions at shareholder meetings.

As 1997 started, the company hoped it would prove a glorious one. For in a bitter irony, it was due to celebrate 100 years of business – an event usually marked in Japan by lavish parties and precious extra holidays for staff.

But its problems mounted. It recorded a Y2.7bn loss between April and September 1997, partly because the business climate was becoming more competitive ahead of Japan's planned Big Bang deregulation of financial markets. Then in the summer there came another blow: it became entangled in a scandal over its *sokaiya* links, following earlier revelations about such links at Nomura.

Quite why this scandal erupted is unclear. The official – and optimistic – explanation is that the Ministry of Finance wanted to improve corporate ethics ahead of Big Bang. In practice, though, it seems the real impetus came from politically ambitious officials at the Tokyo prosecutors' office. Either way, in August the company was forced to reshuffle management, propelling the unfortunate Mr Nozawa into his new post.

Thus far, Yamaichi's woes seemed painful – but manageable. After all, many other Japanese brokers were also recording losses (six medium-sized ones, for example, have been making losses for five years). Furthermore, Japan had never let a company as prestigious as Yamaichi collapse. As one senior official remarked only 10 days before it occured: "I do not think that Yamaichi would fail. It would be too great a shock [to the system]."

But in early November the climate suddenly changed. And the trigger for this came not from Yamaichi – or even elsewhere in the other Asian crises – but from another broker, Sanyo Securities.

The company, Japan's seventh largest broker, had first become famous in the late 1980s, when it built Asia's largest and most lavish trading floor. The floor is the size of an aircraft hangar, and even today looks stunning.

Sanyo's business had been ailing for a long time, and in October the government tried to persuade companies such as Kokusai Securities, a medium-sized broker, to help the group. However, in a sign of how corporate ties were unravelling, Kokusai refused. "We did not think this fitted with our business strategy," said Koichi Kane, managing director.

The government then tried to persuade life assurance companies to extend new loans. But they also refused, partly because their own businesses were ailing. So on November 3 the government took advantage of a public holiday – and Japan's closed markets – to announce Sanyo would be the first broker since the second world war to become bankrupt.

The move seemed logical from an Anglo-Saxon perspective, given the group's huge problems. But in Japan it had a crucial implication: a bankruptcy meant that Sanyo would default on its debts. This had never been seen in Japan's financial world, and had not been anticipated by creditors.

The impact was swift. When markets re-opened the next day several western and Japanese companies quietly stopped lending to other vulnerable companies.

This included Hokkaido Takushoku bank, Japan's tenth largest commercial bank (also known as Takugin). Like Sanyo, Takugin had long been known to be in trouble: it had huge bad debts and few traditional business partners. But until November most observers thought it was protected. Ryutaro Hashimoto, Japan's prime minister, had explicitly promised earlier in the year that the top 20 banks were safe.

But on November 4 doubts set in. Takugin's customers started to withdraw their assets. This forced the bank to turn to short-term money markets to raise cash. Its traditional lending partners cut credit lines, however. By Friday 15, it faced a disastrous liquidity crunch.

The speed of the crisis left the government shocked. It realised it could not find a partner to avert Takugin's collapse, since an earlier merger with another regional bank, Hokkaido, had already unravelled. Instead, Bank of Japan officials spent an exhausting weekend desperately seeking a bank to take over Takugin's healthy business. On Sunday night Tadayo Homma, a senior BoJ official persuaded North Pacific Bank, a regional group, to assume the job. On Monday 17 Takugin announced its closure.

At this point Yamaichi entered the tale. As lenders started to panic, more credit lines to weak companies such as Yamaichi were cut. As tales about this emerged, Yamaichi's shares on November 19 plunged 40 per cent to Y57, or one tenth of their level at the start of 1997. Then, on Friday 21, Moody's, the US credit rating agency, downgraded Yamaichi's debt to junk bond status.

That evening Yamaichi executives convened an emergency board meeting. "It was very emotional, there was quite a lot of argument," explained one executive who was present. But by 4am the next morning the verdict was clear: the Ministry of Finance had effectively ordered Yamaichi to close its business, after "revealing" that the group had some Y260bn *tobashi* losses.

Quite why the ministry took this step provokes controversy. Although Yamaichi faced a severe liquidity crunch, it was not technically insolvent when it failed, in sharp contrast to Sanyo, or the UK investment bank Barings when it became entangled in its 1995 trading scandal. This means, some observers argue, that it might have been saved if the government had provided massive liquidity for the group. Indeed, the government later provided precisely such support for other institutions.

But in the frenzied climate on the night of November 21 this option was apparently not considered. One reason, officials say, was that Fuji Bank, the group's traditional ally, was reluctant to help. Another was that the ministry feared public criticism for backing a company tarred with *sokaiya* scandals. A third was government concern about international pressure: the Moody's downgrade had already had an impact on US treasury markets on Friday night.

But another motive is also whispered in Tokyo: that some bureaucrats wanted a "shock" of this sort to persuade politicians and the public to use public funds to help the financial sector.

Officials themselves discount such conspiracy theories.

"Things moved so fast that there was no time to draw up such plans, even if we had wanted to," one says. And in practice, there was another crucial factor in the drama: the reaction of Yamaichi's traditional allies.

The company had previously been considered a member of the *Fuyo* corporate family, grouped around the Fuji Bank. According to Japanese corporate tradition, this meant that Yamaichi's allies were expected to support the group. But as events came to a head in November, a striking break in tradition occurred. On the same day that Moody's downgraded Yamaichi, Yoshiro Yamamoto, the bank's president, declared that he would not rescue Yamaichi since it did not accord with Fuji's own business plans.

Fuji denies this brought down the broker. "Yamaichi failed because it lost market confidence as a result of weakening performance and revealed scandals," Mr Yamamoto said yesterday. But the move had momentous implications. In some western eyes, it was regarded as a hint that some of Japan's corporate traditions were being replaced by hard-headed business judgments.

However many Japanese observers drew a more ominous conclusion: Fuji bank, they whispered, must be in serious trouble itself if it could no longer afford to meet its time-honoured Japanese responsibilities. Either way, when the markets re-opened on Tuesday November 25, the atmosphere was tense. For Yamaichi's collapse left two key questions hanging over the market: would other groups now copy Fuji's example? Was Japan, in other words, about to see a wave of other failures?

If the markets were to be believed, there were plenty of potential victims. That day, the share price of some banks and brokers plunged. Credit lines were cut to weak institutions, pushing overnight rates to some 85 basis points on November 27. The Japan "premium" – the cost Japanese banks had to pay to borrow money compared to US counterparts – doubled to 100 basis points.

The Bank of Japan and Ministry of Finance had other plans, however. For at the very moment that the markets were mulling the apparent victory of market forces, an important – albeit unheralded – policy shift occurred.

After watching two large groups fail because of a liquidity crunch, ministry and Bank of Japan officials apparently decided the country could not afford another. Letting market forces escalate would simply be too dangerous, they argued.

The first sign of this came on Wednesday, when the Bank and the ministry took the rare step of issuing a joint appeal for calm. At face value, the statement initially seemed more a sign of panic than control. Indeed, similar requests for investors "not to panic" had been heard all over Asia in previous months.

But the crucial difference between Japan and other countries such as Thailand was that Tokyo could put money behind its mouth. And it rapidly swung into action. Huge loans, worth over a thousand billion yen, were extended to help Yamaichi overcome any short-term funding problems, even though this appeared to contravene some of the fine print of the central bank's charter.

The Bank of Japan flooded the money markets with a record Y3,700bn surplus liquidity in an effort to prevent another credit crunch. Then, when even this did not persuade creditors to lend to some weak companies, it started to provide loans directly to banking groups. The Ministry of Finance reportedly also lent dollars to banks that were finding it hard to raise funds in international markets.

Behind the scenes, another crucial development was also under way. For months bureaucrats had been whispering that the only way to solve the problems of Japan's financial system would be to use public funds. The issue had hitherto been regarded as too politically sensitive to contemplate in public: the use of public money to sort out the mess caused by the collapse of the *jusen* housing loan companies in 1995 sparked serious protest.

However, as politicians reeled from the Yamaichi shock – and countries including the US expressed growing concern – the bureaucrats' pleas won ground. In early December, Japan's ruling Liberal Democratic party started to consider the issue. A mere two weeks later the LDP called for Y10,000bn of public funds to protect depositors and help recapitalise some banks. By early January, the sum had been raised to Y30,000bn, and politicians were even suggesting that the recapitalisation should extend to healthier groups as well.

Will this dramatic U-turn be enough? As the dust settles from the momentous events of November, many observers retain doubts. The Bank of Japan and Ministry of Finance certainly appear to have averted the risk of financial meltdown for the moment: since November there have been no more large financial collapses.

But few observers expect any rapid solution to the longer-term financial problems that still dog Japan. Aside from Yamaichi, there are still dozens of banks and brokers which continue to operate with huge bad debts, troubled business franchises and losses. Nevertheless, when Eisuke Sakakibara, Japan's vice-minister of finance for international affairs, met journalists on December 17, he presented a markedly different face from Mr Nozawa's tears.

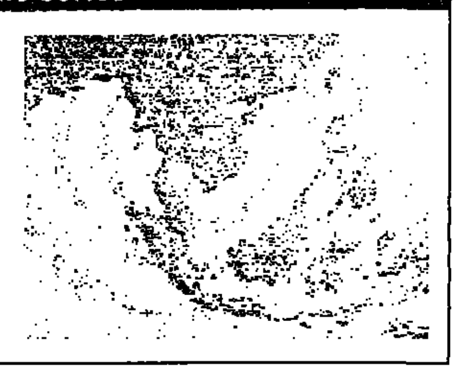
Three weeks earlier, bureaucrats had been pondering the prospect of a severe market collapse. But by mid-December, the sense of crisis was starting to lessen. And Mr Sakakibara himself had some welcome news to unveil: a major injection of public funds into the financial sector and tax cuts.

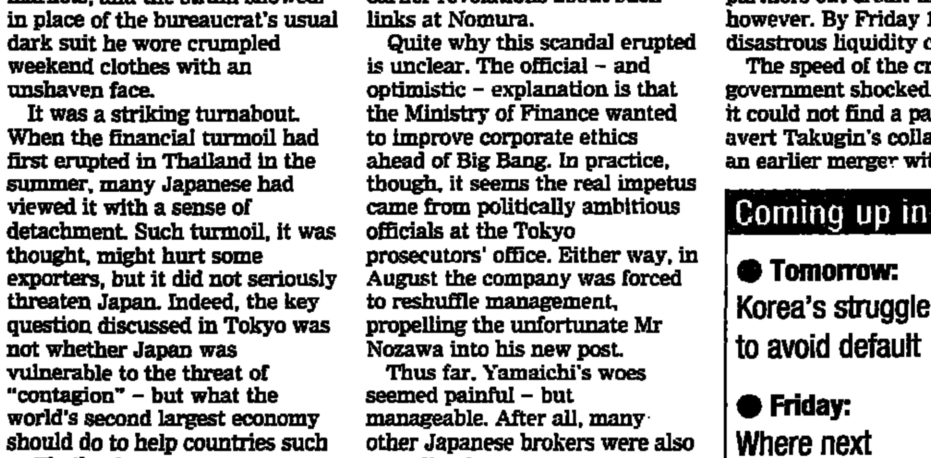
"I think we have solved Japan's problems now," Mr Sakakibara said, with his characteristic cheery grin – and an optimism most western observers would dub excessive.

Then, he paused – and added a more ominous and realistic caveat. "I suppose the next problem we have to solve is Korea."

Coming up in this series

- **Tomorrow:** Korea's struggle to avoid default
- **Friday:** Where next for Asia?





Hashimoto (right) admitted to Clinton that Japan got it wrong AP

US PRESSURE

Voice from across the Pacific

By mid-December, the tuneless warble of mobile phones had become a familiar sound at smart Washington dinner parties. The time difference across the Pacific meant many an evening for economic policymakers had been ruined by news of some new Asian problem.

So it was no surprise when on December 16 a supper-time discussion on European monetary union was interrupted in such a way. For once, the call heralded good news. Japan was to announce a surprise Y2,000bn package of tax cuts, along with plans to restructure the country's battered financial system.

The Treasury official who took the call returned to the dinner table visibly delighted. At last US urgings that Japan should stimulate its domestic demand seemed to have been answered.

Earlier in the year, US officials had reacted with thinly disguised alarm when Japan imposed a consumption tax increase. It would plunge the country back into recession, they believed. Japanese officials waved away the concerns, confident the economy could withstand the tax increase.

When Asian currencies began to collapse, US concerns were redoubled. At the IMF meeting in Hong Kong in late September, Japanese officials were treated to a "hard cop, soft cop" approach. First Robert Rubin, the urbane Treasury secretary, politely reminded them of their responsibilities. Then his more combative deputy, Lawrence Summers, piled on the pressure.

There was little sign that US entreaties had much effect. But as the crisis deepened, officials saw a gradual change. Japan was reluctant to bow to US pressure alone, but it was beginning to see its problems in the broader context of the Asian crisis. At the Asia-Pacific Economic Co-operation forum in Vancouver on November 24 and 25 President Bill Clinton told Ryutaro Hashimoto, the Japanese prime minister, that bold action was needed for the stability of Asia as a whole.

Mr Hashimoto, in a rare admission of error, told Mr Clinton privately that Japan had got it wrong when it had said the consumption tax increase would not seriously harm growth. Though he made no firm promises, Mr Hashimoto acknowledged that Japan needed to do more.

For another two weeks, the Treasury waited as Tokyo agonised over the scale of the stimulus it would deliver. At that dinner on the 16 December the US received the first word. Now the question was: would it be enough?

Gerard Baker

London libel jury hears that chairman of US group made offer to get Virgin out of lottery race

GTech chief 'offered bribe to Branson'

By John Mason, Law Courts Correspondent

The chairman of GTech, the US lottery equipment supplier, offered Richard Branson a bribe to withdraw from the contest for the UK national lottery, the High Court in London heard yesterday.

The claim was made by George Carman, a lawyer acting for Mr Branson, at the start of a two-way libel action. Guy Snowden, the GTech chairman, is suing Mr Branson over the bribe claim. Mr Branson is suing Mr Snowden, GTech and Robert Rendine, its director of communications, for saying the allegation was a lie.

GTech is a member of the Camelot Consortium, which runs the UK national lottery. Mr Branson claims the bribe was offered during a lunch at his London home in 1993. Mr Snowden rejected an approach to join the Virgin bid for the lottery and instead asked Mr Branson to join the Camelot consortium which eventually won the contract, Mr Carman said. Mr Branson rejected the offer.

The court heard that Mr Snowden then told Mr Branson: "I don't know how to phrase this, Richard. There's always a bottom line. I'll get to the point. In what way can we help you?" After a pause, it was claimed, Mr Snowden went on: "I mean, what can I do for you personally?"

Mr Carman said there was an ugly moment of silence after which Mr Branson asked what the GTech chairman meant. Mr Snowden was alleged to have replied: "Everybody needs something."

Mr Branson was so shocked at the bribe offer, he went to the toilet to note in writing what Mr Snowden had said. His account was later confirmed by the only witness, John Jackson, the Sketchley chief executive, the court heard.

Mr Carman told the jury: "There is no shilly-shallying about this, no room for doubt or misunderstanding or misinterpretation. It's as plain as a pikestaff that what Guy Snowden was about that day was floating a bribe in front of Richard Branson in order to get him out of the bidding and pave the way for GTech and Camelot to go on without this dangerous rival."

Four days later, Sir Tim Bell, GTech's public relations adviser, rang Mr Branson to say that Mr Snowden "might have said something that he might regret" and asked if Mr Branson was going to the media over the incident, the court heard. Mr Branson said he was not.

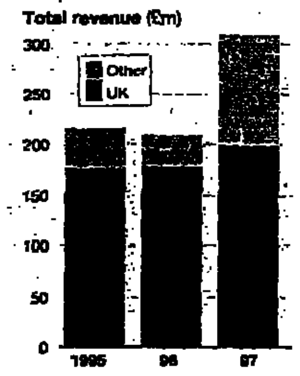
The allegation was eventually made by Mr Branson two years later in a BBC television programme. In broadcasts and newspaper articles that followed, GTech accused Mr Branson of lying over the alleged incident, prompting him to start libel proceedings, Mr Carman said.

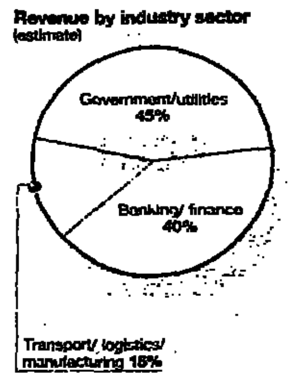
Mr Branson is due to give evidence today after lawyers for GTech have addressed the jury.

BT arm seeks to match size with ambition

System integration group Syntegra needs to grow, reports Alan Cane

Syntegra: seeking US expansion





Sources: Richard Holway Ltd; company

Bill Halbert managing director

Syntegra, British Telecommunications' four-year-old systems integration company, has global ambitions but lacks the size to fulfil them.

With 1997 revenues of £310m ($505m), it is less than a tenth the size of the leaders of the computing services business such as EDS, Andersen Consulting and Computer Sciences Corporation, all of them US-based.

Its big opportunity to achieve spectacular growth – a merger with SystemHouse, the computing services arm of MCI of the US – seems to have evaporated with the failure late last year of the merger between BT and MCI.

If the merger had gone ahead, Syntegra and SystemHouse would have been welded into a company with international reach, a broad portfolio of computing skills and revenues of more than $2bn.

Bill Halbert, Syntegra's managing director since its formation, is philosophical about the lost opportunity: "It was a disappointment. We worked together on the merger for a year and we had been talking to SystemHouse for some years before the merger was mooted.

"But our business plan was always global . . . a merger with SystemHouse would have been a windfall rather than a necessity."

Formed in November 1993 from some 40 disparate computing services businesses within BT, Syntegra has grown comparatively slowly. Richard Holway, publisher of the authoritative Holway report on UK computing services companies, says: "I had great hopes of Syntegra, but it has been a disappointment."

He says turnover growth has remained essentially static, buoyed recently only by small European acquisitions – Europe Informatique for about £10m in 1995; Rijnhaave, the Dutch group, for about £70m in 1996.

In 1997, Syntegra bought Alcoria, a small French group, and took responsibility for First State Computing, BT's Australian system business.

> Its big opportunity evaporated with the failure late last year of the merger between BT and MCI

But Syntegra executives reply that the group's early years were spent combining the various elements of the company. "How fast can a company digest these various strands?" one manager complained.

Now the priority is to grow through acquisition in the US. Mr Halbert says: "It is an absolute must." It is also independent of anything BT itself might do in seeking a US partner to replace MCI.

Syntegra is not, however, seeking a US acquisition on the grand scale. It is looking rather for a company or series of companies which combine high computing skills with quality customers, sound geographic positioning and a strong commercial performance.

BT seems now to be encouraging its subsidiary's ambitions by providing the financial backing for its expansion.

Systems integration is the key to tomorrow's business communications. Systems integrators reckon to understand their customers' business well enough to design and build information systems to meet their needs.

Syntegra and its contemporaries provide the software "glue" which holds systems together, rather than undertaking large scale – and potentially risky – software development.

Syntegra also says it is attempting to redefine systems integration, arguing that technology alone is not the answer and that due attention must be paid to the "soft" side of the business. "The big failures are not in technology, but are much more to do with the human factors involved," Mr Halbert says.

The fact remains that computing companies have rarely prospered within telecoms groups, with NCR's disastrous experience as an AT&T subsidiary the chief example.

Other computing services companies are already eyeing Syntegra's 3,500 highly qualified staff enviously.

While BT's support for its subsidiary's expansion plans argues against a sell-off, it is possible Syntegra could find greater synergies within, say, a Sema Group, a Logica, or a Computing Sciences Corporation.

Premier invites Japanese cash to 2000 dome

By David Wighton in Tokyo

Japanese companies are being lobbied to put money into the UK's government's troubled Millennium Dome as ministers struggle to find the £150m ($244.5m) of private sector sponsorship needed for the project at Greenwich in south-east London.

Several leading Japanese companies – including Toyota – were approached during the visit to Japan by Tony Blair, the UK prime minister. He returned yesterday.

Officials said a number of Japanese companies had expressed interest in being involved in the dome, which they saw as a unique opportunity. "Greenwich Mean Time is known across the world and the Japanese want to be part of the dome," the prime minister's official spokesman said yesterday. The line of zero degrees longitude passes through Greenwich Observatory near the dome site.

Although the dome was conceived as a showcase for Britain, the government saw nothing wrong with a Japanese contribution, the spokesman said. US companies have also been approached.

But the potential involvement of non-UK companies is likely to heighten criticism of the controversial project. The revelation that the dome's roof was to be provided by a German company provoked an outcry and the government switched to an Anglo-American supplier.

Peter Mandelson, the minister responsible for the dome, has been leading efforts to raise the cash needed from the private sector. But companies have been reluctant to commit themselves before knowing more about the contents.

The few significant sponsors signed up include British Telecommunications, which has offered the maximum £12m allowed from a single company, and British Airways, which is committed to £6m. Sir Colin Marshall, the BA chairman who headed the business delegation that accompanied Mr Blair to Japan, said he had used the opportunity to "lobby" Japanese companies. "There are no firm commitments but a number of companies expressed interest," he said.

But Sir Colin denied that the dome would be used as a showroom for Japanese products. "They are interested in it more as an opportunity to show off their ideas for the future," he said. BA is also involved in the dome through Robert Ayling, its chief executive, who chairs the New Millennium Experience, which is directing the project.

State rail chief attacks privatised network

By Charles Batchelor, Transport Correspondent

The performance of privatised train companies is worse than that of the state network they replaced, John Welsby, chairman of British Rail, said yesterday. BR – once the giant which ran almost all the UK network has been reduced to advising the government on the role of the railways in an integrated transport policy.

The privatised companies are in danger of establishing as bad a reputation within two years as BR did over the 50 years of its existence, Mr Welsby told the Chartered Institute of Transport. "An objective assessment of the performance of the privatised railway today shows that, in general, it is hardly better than it was in the last years of public ownership. That is a great disappointment," he said. "Performance, far from continuing to improve, has actually deteriorated. The failings are not isolated local ones but are spread across the country."

Performance statistics for the railway industry due to be published later this month by the rail franchising director's office are expected to show a further worsening of reliability and punctuality in the final quarter of 1997, following a decline in the summer.

Mr Welsby said the industry showed the signs of not being effectively managed, a problem which was solved in BR before privatisation by a management shake-up in the early 1990s.

"The situation is particularly ominous because very significant additional funds have been injected into the industry," said Mr Welsby. "Privatisation was sold on a manifesto that promised that performance would get much better, and that it would do so quickly."

The train operating companies had the least certain futures of any of the big groups in the industry, he said. They were overshadowed in terms of corporate weight, market power and resources by their suppliers, including the rolling stock leasing companies.

Mr Welsby, thought be keen to head the government's planned strategic rail body, said the government would continue to play a critical role in the industry.

Motorcycle sales increase 40%

Motorcycles and mopeds (small motorcycles with 50cc engines) are making a comeback as congestion-dodging commuter transport, with sales jumping nearly 40 per cent last year, the Motor Cycle Industry Association said yesterday, writes John Griffiths. It said 93,289 two-wheelers were sold, up 37 per cent on 1996. This was double the industry's worst year, 1993, when only 46,700 were sold. Further growth is expected this year of "at least 10 per cent".

N Ireland settlement hopes strengthen

Financial Times Reporters in Belfast and London

The search for a constitutional settlement for Northern Ireland moved forward yesterday even though Sinn Féin, political wing of the Irish Republican Army, accused the UK and Irish governments of yielding to threats from anti-republican "loyalists".

The governments took comfort from the willingness of the parties to engage for the first time in active discussions, on the basis of joint government proposals for a new set of institutions to govern Northern Ireland.

Meanwhile, the UK government is expected next week to announce a review of evidence into Bloody Sunday, when 13 nationalists were shot dead by British troops in 1972.

British officials said they were satisfied at the "muted" response to the proposals – suggesting an absence of rejection was the most that could have been expected. The package envisages a new Northern Ireland assembly, a north-south ministerial council and an inter-governmental council to link the parliaments in Dublin, Belfast and London and the planned Scottish and Welsh assemblies.

Mitchel McLaughlin, Sinn Féin chairman, said the document "represented a response to unionist pressure and the activities of the loyalist death squads".

George Mitchell, the former US senate majority leader who chairs the talks, said: "No-one has agreed to any aspect of a settlement or an outline of a settlement, but they have agreed to serious negotiations to try to bring it about." ticipant.

Sinn Féin is concerned the proposed north-south bodies would strengthen ties between Belfast and Dublin.

● Tony Blair, the UK prime minister, made some of the phone calls that paved the way for the breakthrough in the peace talks while sitting cross-legged in a restaurant in the Japanese city of Kanakura, writes David Wighton in Tokyo. The sight was witnessed by the Japanese prime minister, Ryutaro Hashimoto, who was having a private dinner with Mr Blair, the British ambassador and their wives.

Points for peace, Page 12

IRA bomb warning 'inadequate'

The IRA gave "inadequate and inaccurate" warnings of the bomb blast in London which ended its 1994-96 ceasefire, a prosecuting lawyer told a London court yesterday. The bomb on a truck, containing tons of home-made explosive, went off as thousands of people were leaving work, and two men in a shop were killed. Patrick McKinley, 34, and James McCardle, 29, both from Northern Ireland, deny conspiring to cause an explosion likely to endanger life or cause serious injury to property.

Company tax burden may ease

By Jim Kelly, Accountancy Correspondent

The government is prepared to make significant concessions to companies worried by aspects of the new corporation tax system announced by Gordon Brown, chancellor of the exchequer, in his provisional – or Green – Budget in November.

With less than three weeks left for consultations, the Treasury is striving to make sure companies can cope with the new US-style quarterly system. To help finance directors, the final system may dispense with the idea that companies pay tax based on an estimate of current year profits.

The government may also consider reducing the difference between the rate of interest charged if companies overpay and that charged if they underpay.

Under the new system, large and medium sized companies – which currently pay their tax nine months after their year end – will have to pay all or part of it quarterly. The first quarterly payment could be in just over a year.

Mr Brown said the payments would be based on an estimate of current year profits – but many experts believe this would be extremely difficult in practice and especially for companies with cyclical revenues – such as retailers.

The new system, which mirrors many national regimes, replaces the dual system of corporation tax and advance corporation tax abolished in the Green Budget.

While the Treasury and Inland Revenue are preparing to make changes, it is understood that the thrust of the reforms has been welcomed – sweetened by the cut in corporation tax announced by Mr Brown, from 31 to 30 per cent.

● Companies would take on much of the administrative burden of providing an estimated £2.4bn in tax credit payments to low-paid workers in place of family credit, under plans likely to be unveiled in the forthcoming Budget, our Political Editor writes.

A limited integration of the tax and benefit system is also expected in Mr Brown's first full Budget, planned for mid-March. A Treasury task force, led by Martin Taylor, Barclays Bank chief executive, has advised Mr Brown against importing a US-style earned income tax credit, which would have involved all employees making comprehensive tax returns and receiving substantial annual rebates.

The Institute of Directors said it was "concerned that cost should not be an additional burden on employers".

UK NEWS DIGEST

Business boosts backing for arts

Business support for the arts rose by 20 per cent last year to a record of £95.6m ($155.8m). The increase, the highest ever in one year, surprised the Association for Business Sponsorship of the Arts. In the previous two years, after two decades of steady growth, expenditure by companies on the arts arts had stabilised at around £80m. "We thought sponsorship had reached a ceiling but these figures prove there is no ceiling," said Colin Tweedy, association director-general. "It is now the corporate marketing departments that are taking a keen interest. The days when the chairman decided what to sponsor are over."

Among the companies sponsoring the arts heavily for the first time were Sun Microsystems, which backed the Institute of Contemporary Arts; Orange, the mobile phone network, with its women's literature prize; BMW's Rover offshoot, aiding the London Symphony Orchestra and Selfridges with the Serpentine Gallery. *Antony Thorncroft*

■ THE ECONOMY

First fall in inflation in 10 months

The rate of inflation fell for the first time in 10 months in December. The fall in the annual headline rate – to 3.6 per cent in December, compared with 3.7 per cent in November – was expected by the financial markets. But public sector wage demands in excess of inflation could prompt bigger price increases and force up interest rates. Underlying inflation, which excludes mortgage interest payments, fell to 2.7 per cent from 2.8 per cent. The all-items index stood at 160 in December, compared with 159.6 in November. *Richard Adams*

■ PRIVATISED POWER UTILITIES

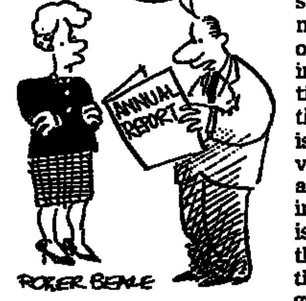
Centrica threatens 'bloody row'

Centrica, the biggest UK gas supplier, has threatened "a bloody row" with regional electricity companies if they fail to meet the April deadline for the introduction of competition. Roy Gardner, Centrica's chief executive, wants individual companies barred from competing in the liberalised domestic gas market if they fail to meet the electricity competition deadline. Centrica, which still trades in the UK under the British Gas brand, wants to be the first national supplier of both gas and electricity to households. It fears that some electricity companies – half of which are owned by big US utilities – are deliberately trying to delay electricity competition. They enjoy regional electricity monopolies but compete in the rapidly-liberalising gas market, which is due to be fully opened by mid-year.

John Battle, energy minister, will meet the chief executives of the 14 electricity distributors next week amid widespread expectation that he will agree to a delay to the start of retail competition. *Robert Corzine*

■ CORPORATE GOVERNANCE

Pension funds unveil tough stance



The National Association of Pension Funds, which represents investors with total assets of more than £300bn ($489bn), will today announce a tough new stance on corporate governance in an attempt to head off the threat of government intervention. The association hopes to avert the threat of legislation – on issues such as compulsory voting by shareholders at annual meetings – by taking a tougher stance on issues such as executive pay than that recommended by the committee on corporate governance headed by Sir Ronald Hampel, chairman of ICI. John Rogers, the association's director of investment services, believes the government is likely to legislate to increase shareholder voting. NAPF will propose an "early warning system" under which companies would be required to flag up any proposed changes to, for example, executive remuneration three months before an annual meeting. *Jane Martinson*

Lex, Page 14

INFORMATION TECHNOLOGY

Fast line to net security

One of the factors delaying the widespread adoption of internet-based electronic commerce for activities such as electronic stock trading, online banking and shopping has been concern about security.

The standard solution is to deploy cryptographic software, but this tends to slow the speed of transaction handling unacceptably, leading to congestion and frustration.

This problem is expected to worsen as sites adopt the new Secure Electronic Transaction protocol, developed by Visa and MasterCard. This is a highly secure standard for net commerce but each SET transaction requires seven software "keys" to be processed. Web sites that normally respond in less than a second can take a couple of minutes to respond at peak times.

A young Cambridge-based company called nCipher – the latest in a series of promising start-ups to emerge from England's "Silicon Fen" – thinks it has solved the problem with a device called nFast, the world's first cryptographic accelerator.

The device functions as a type of co-processor, relieving the main microprocessor of the need to handle the complex mathematics which underly public key cryptography and thereby reducing the queues of customers waiting for transactions to be processed.

The company, nCipher (*www.ncipher.com*), which lists Canada's Newbridge Networks, Security Dynamics and Hambros Advanced Technology Trust among its initial investors, has designed nFast to slot into an ordinary server drive bay and use the industry-standard Scsi interface so it can be added to almost any commerce server.

The devices can be daisy-chained together to provide additional processing power and provide an inexpensive, fast, platform-independent hardware solution which lightens the load on the host microprocessor without requiring alterations to application software.

"There is an increasing demand for rapid, secure electronic commerce over the internet," says Alex van Someren, managing director of nCipher, who is addressing a conference on the subject in the US this week.

"Our nFast accelerators help online retailers adopt the highest levels of cryptographic security, without jeopardising the speed of their servers through processing cryptographic keys."

Mr van Someren claims that nFast's dedicated cryptographic co-processor can handle up to 300 1024-bit public key signings a second and believes the product could catapult his company into the big league. Using an nFast accelerator with eight processors, a Sun Microsystems Netra server can handle 68 connections a second, 10 times the unaccelerated total.

nCipher was founded in 1996 by Mr van Someren and his brother Nicko, nCipher's technical director, to exploit the latter's cryptography skills. The company has raised £1.5m from its investors.

Paul Taylor

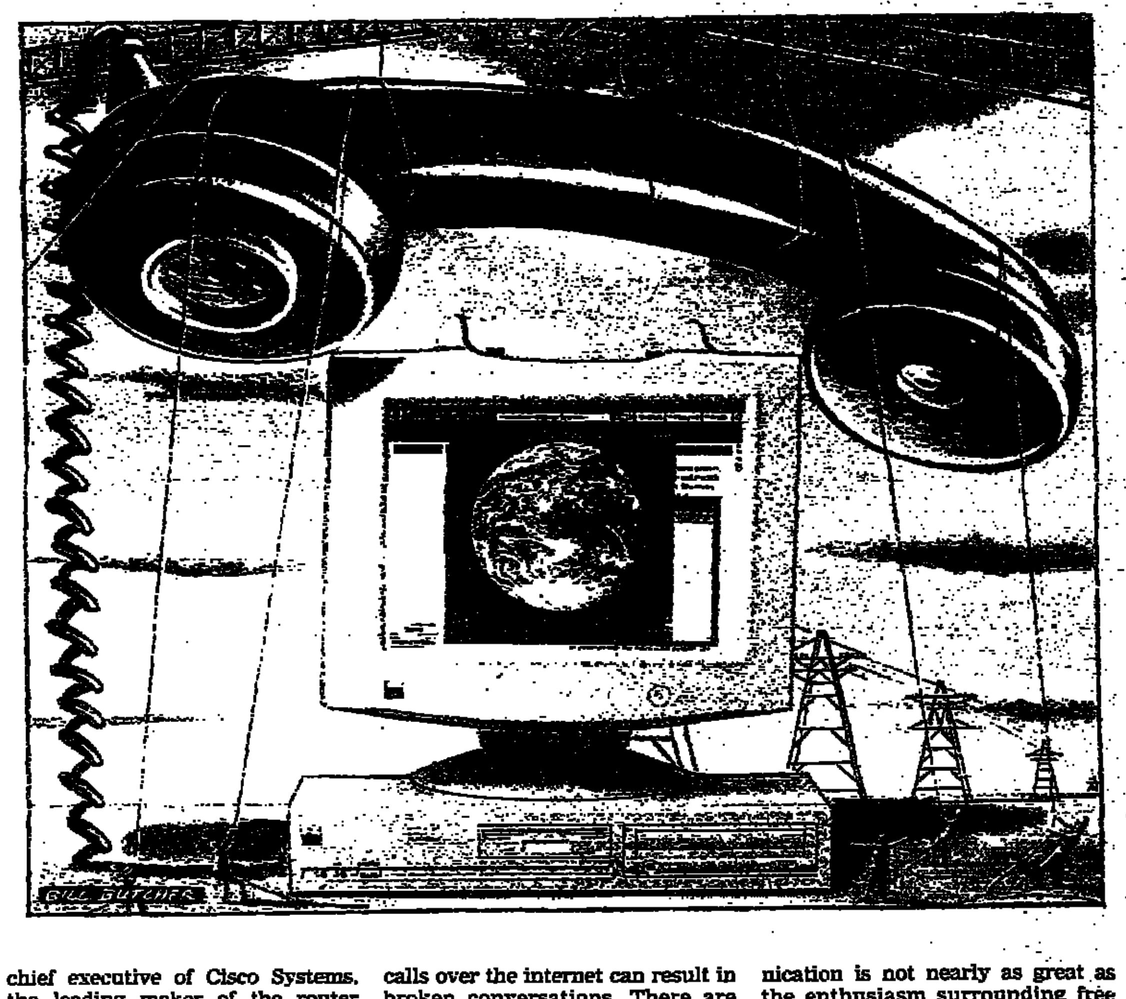
Information Technology

● The FT's review of Information Technology appears on the first Wednesday of each month

Using the net · **Nicholas Denton**

Telephones on the receiving end

The internet will become more like the traditional telecoms network



The mythology of internet telephony goes something like this. The internet is innately more efficient at transmitting information than the telephone network.

Voice can be transmitted in the form of packets of data, which travel across whichever route across the internet is not being fully used. These packets need only contain the actual substance of the exchange: an internet telephone call, unlike one over the traditional network, does not waste space on the silences and pauses that make up a typical exchange.

And – this is the clincher – the internet is free, giving voice services over the network an inherent cost advantage over their traditional competitors. Consumers are already benefiting. A personal computer user, with internet telephony software from a company such as VocalTec of Israel, can already reach a similarly equipped user anywhere in the world for the price of the local telephone call to access the internet.

It seems no wonder then, that John Sidgmore, chief executive of WorldCom's internet subsidiary, forecasts that, as fax and telephone calls migrate to the new network, traditional voice transmissions will by 2003 represent just 1 per cent of total traffic.

That may well be the case, extrapolating current trends. And there is some truth in the hype surrounding internet telephony. There is little doubt that the migration of voice to the internet will transform the economics of telecoms services.

But the internet, in absorbing voice and videoconferencing calls, will become more like the telephone network it is supplanting. That applies to the architecture of the network, and to the pricing of services carried over it. In prospect it is not so much a takeover of the telephone system by the internet as a merger between the two.

The two networks already work together. An electronic mail message sent from a home PC will typically travel over the user's telephone line to the local exchange, where it is routed to a modem bank operated by an internet service provider. It is routed on to the internet "backbone", the main line of the network, which does not exist in a physical sense: it is typically a reserved portion of the high-capacity trunk lines operated by a long-distance carrier such as Sprint or British Telecommunications.

A host of new services straddle both networks. For instance, TelePost, a venture backed by TeleNor of Norway, plans to offer a conference calling centre accessible from a PC connected to the internet. But TelePost calls the user's standard telephone and those of the other participants to line up the call, rather than entrust it to the vagaries of the internet.

And, on a superficial level, just as PCs with a microphone can now be turned into speakerphones, so devices which look very much like telephone handsets but which can access the internet are being unveiled. Cidco's iPhone, for instance, offers simple touch-screen access to the worldwide web as well as the features of an advanced telephone such as conference calling and caller ID.

All these are examples of today's hybrid – and transitional – network. "If you look at where we are today, we are just starting: what we have a lot of the time is voice networks pretending to be data networks," says Bill O'Shea, president of the business communications systems unit of Lucent Technologies, the largest US telecommunications equipment maker.

Over time, the seams between these networks will become less visible. "It is not a question of whether it will happen. It is going to happen: the question is how quickly," says John Chambers, chief executive of Cisco Systems, the leading maker of the router machines which act as traffic guides within networks. "You can't afford a separate network for voice, one for video and one for data."

Already, purchasing decisions within enterprises – for both networking and telecommunications equipment and services – are increasingly being determined by a chief information officer, to whom the managers of the two networks report.

At a slightly slower pace, the public telephone network and the internet are also fusing. UUNet recently launched a service called UUFax, for instance, which takes fax transmissions that would have travelled over expensive long-distance telephone connections, and reroutes them over the internet.

The economics of fax transmission over the internet are compelling, because it does not matter if a fax is sent in the form of packets, bounced around the network and reassembled, with a few seconds delay, before being forwarded on to the recipient's fax machine. But voice conversations are more demanding.

Because some packets get lost, or arrive in the wrong order, voice calls over the internet can result in broken conversations. There are two main solutions. The first is to route voice calls over a private internet-style network, as does Qwest Communications with the carrier's new internet telephony service.

The second is a concept called tag-switching, devised by Cisco and being evaluated as a standard by the Internet Engineering Task Force. With tag-switching, the first packet carries the equivalent of the pass that allows business passengers to go through a fast lane at customs. It clears a path for subsequent packets.

Both schemes recreate the dedicated connection which ensures good sound quality on traditional telephone networks. But, because the ticket is business class rather than standby, it is more expensive.

Some experts, such as Gian Pablo Villamil of Andersen Consulting's communications division, argue that internet telephony still has an inherent cost advantage, because it takes advantage of the economies of scale available in the computer industry. Analysts maintain a basic international voice-over-internet network can be built for under $100m.

For users, though, the cost advantage for high-quality communication is not nearly as great as the enthusiasm surrounding free internet calls would suggest. Qwest offers long-distance calls at 7.5 cents a minute, compared with 10 cents low rates over traditional networks charged by carriers such as AT&T, Sprint and MCI.

In countries such as Italy and South Korea, where discount carrier IDT first offered its internet telephony service, international tariffs are sufficiently inflated to allow internet calls to come in up to 80-90 per cent cheaper. But internet telephony carriers have found few opportunities on routes where competition is already intense, such as that between the UK and US.

Internet telephony may take its place alongside callback and resale in undermining the international price-fixing regime in telecommunications. But that is an arbitrage opportunity created by differing regulatory treatment of traditional and internet calls.

As internet telephony providers exploit this artificial price gap, they will erode it. And their own costs will increasingly reflect the underlying cost of a dedicated connection. Even as the internet transforms the telephone network, it will increasingly resemble it.

Watching brief

Mobile data without the PC Card link

Mobile data is one of the most rapidly growing applications of computing on the move for business users. But connecting a portable computer to a mobile phone usually involves a proprietary PC Card data card.

Now, TDK Grey Cell, TDK's European business unit for mobile communications, has begun shipping an integrated software package called GlobalPulse which enables the mobile computer user to send faxes and data, and to use the GSM short message service using just a standard serial cable connected to a mobile phone handset.

Designed for notebook and handheld computer users, the software includes all the functionality associated with traditional GSM data cards, but since it eliminates the need for PC Card hardware is both cheaper and less complex.

GlobalPulse, which runs under Windows 95, Windows NT and Windows CE, can be used with most existing communications packages and works with most leading GSM handsets including those from Ericsson and Nokia. The software senses the type of handset being used and loads the appropriate driver.

The company hopes that by reducing cost and simplifying the solution, the product will attract users to GSM data. In the UK the software costs £149.

TDK Grey Cell, www.tdksystems.com/europe

Developing digital storage disks

The range and capacity of digital storage devices continues to expand, with new products from Iomega and Amacom Technologies.

Iomega is trying to repeat the success of its Zip "super-floppy" drive and Jaz removable hard drive in the digital camera and handheld PC market with a removable mini-drive called Clik.

The new drive, based on Iomega's n.hand technology, can fit in a shirt pocket and takes low-cost Clik disks capable of storing 40MB of data – equivalent to 40 high-quality digital images or 400 10-page Microsoft Word documents.

Iomega believes the disks, which cost about $10 each, fill a gap in the market for high-capacity, low-cost storage devices capable of being used in portable consumer electronic devices such as digital cameras, which mostly rely on relatively expensive flash memory cards.

Meanwhile, Amacom Technologies has launched the Flip Disk – a hard disk expansion device which incorporates both a PC card and parallel port interface, making it much easier to add extra hard disk capacity to a portable PC.

The Flip Disk, which weighs only 188g, is both small and light enough to fit in a jacket pocket but can add up to 6.4Gb (gigabytes) of additional high-speed storage space using industry standard 2.5in hard disk drives. Flip Disks come in 2.8Gb, 4.2Gb and 6.4Gb capacities and cost from £350 to £555.

Iomega: www.iomega.com; Amacom: John Michael, tel UK (0)181 993 7373, e-mail johnm@amacom-tech.com

Device scans documents on the move

Rekeying documents such as contracts, invoices or proposals while on the move can waste time and introduce errors. Ideally, documents such as these need to be to scanned so that they can then be stored, manipulated or sent back to headquarters, but most devices like this also require a connection to a portable PC.

Fujitsu, the Japanese electronics group, has launched a new mobile fax/scanner which weighs the same as a bag of sugar and measures about the same as a standard video cassette.

The device, designated the Fujitsu 2000, has been designed, developed and made in the UK and enables users to scan documents as well as send and receive faxes and e-mail using a mobile phone.

Fujitsu says the product is aimed at all field workers including sales executives, maintenance engineers, surveyors and architects. It can scan and store 30 standard A4 pages: once scanned, the document can be manipulated as well as viewed on the product's LCD screen or printed out.

To make transmitting information as easy as possible the device includes an integrated contact book which can be updated via a virtual "screenboard" – a keyboard on the screen.

Fujitsu: www.fujitsu.com

Simplified network management

British Telecommunications and Korean Telecom are collaborating to produce a type of microchip which uses neural networking techniques and which they claim will radically simplify many aspects of network management.

The chip, known as the Universally Reconstructable Artificial Neural network chip, has already been produced in research quantities and BT plans to begin applying it to a variety of network applications on an experimental basis shortly.

The devices, originally invented by Il-Song Han, are expected to be particularly useful in applications where there are many variables such as switch configuration, radio channel allocation and other network control problems that require rapid reconfiguration.

"Neural network chips can be made very large and are fully programmable," says Rod Webb who has been running the team developing the chip at BT's research labs. "They will allow a number of control functions to be carried out more quickly and easily and should provide a new approach to running efficient networks."

www.bt.com

Baby's birthday challenge

A worldwide competition is being held to write a software program for the world's first stored-program digital computer, pictured above. The Baby, or Small Scale Experimental Machine, is being rebuilt to celebrate the 50th anniversary of its birth on June 21, 1948 at the University of Manchester, in a project being undertaken by the British Computer Conservation Society and ICL. *Closing date March 31, details on www.cs.man.ac.uk/prog98/*

Information for this column can be sent by e-mail to paul.taylor@FT.com

ARTS

Struggling orchestras search for harmony

Stephen Pettitt finds that Israel's musical life is just as segregated as its politics

Tel Aviv is a cosmopolitan city, with all the pleasures, vices and problems that go with cosmopolitan cities. It has a cosmopolitan musical life to match. Opera is thriving, and few music-lovers blessed with ears to hear would dispute the finesse of the Israel Philharmonic Orchestra. However, many who are not among their astonishing 28,000 or so subscribers might raise an eyebrow at an apparently slavish devotion to Zubin Mehta, its long-standing maestro. (Israel is the kind of old-fashioned place where they still call them maestri).

Recent rumours, duly refuted, of the great man's departure were greeted in the national press as almost a national tragedy, though Mehta can hardly be said to be in the same league as, say, Bernstein, who also conducted the Israel PO.

But in Israel, Tel Aviv is a city apart. Elsewhere in the country, the music making tends to be far less glossy, as one might expect from such a tiny geographical area covering so vast a range of cultures, where so much of the national budget is devoted to defence.

Although politicians are more than willing to present themselves as allies of culture, or at any rate, western-style and/or Judaic culture, inevitably when it comes to the bottom line – cash – the arts have a comparatively low priority. So organisations have to work hard for their audiences, their sponsors, and their survival. And work hard they do.

The Jerusalem Symphony Orchestra, for instance, gaily pursues an easy-listening policy, attempting to attract new, inexperienced audiences by playing programmes with titles such as *From Russia with Love*. Anything longer than 10 minutes risks losing this audience's patience.

The orchestra addresses mixed audiences of schoolchildren, making a point of busing in Arab children and sitting them side by side with children of the Jewish settlers. It gives concerts for students and national service conscripts.

Doing its bit for the new or the challenging is not top of the agenda. Filling the concert halls is, for the sake of its own survival.

But the Jerusalem SO is lucky. It has its own home – the Henry Crown Concert Hall, built in the 1970s as part of a cultural complex, which also includes a theatre. Its salaries are paid by the Israel Broadcasting Association. And as well as support from the ministry of culture it is subsidised by the Municipality of Jerusalem and by the Jerusalem Foundation. But it desperately needs such financing in this pluralist city with a population of half a million, where, thanks to the preponderance of public and service industries, the possibilities of securing commercial sponsorship are small.

Without such support, other musical organisations face harder struggles, but the survivors include the Jerusalem based Israel Camerata – the country's finest chamber orchestra, which tours widely and has a bold approach to programming; the Haifa Symphony Orchestra which, as well as giving its own concerts, plays for the Tel Aviv Opera; and the Beer Sheva Sinfonietta. Aspirant musicians, at least those brought up in the European tradition, have plenty of training opportunities at the Rubin Conservatories in Jerusalem and Tel Aviv.

But how is the Arabic tradition being served in Israel's uncomfortable mélange of cultures? Admittedly Arabic music is a different creature from music composed in the European-Judaic tradition, with different social functions and performance circumstances.

Nevertheless it seems that even the most liberal, secular-minded among the ruling sector of the populace are prepared to do little more than acknowledge its existence. There is little, if anything, in the way of cultural infrastructural support.

Zusia Rodan-Rudiakov, the Jerusalem Symphony Orchestra's managing director, cites a group from Haifa that plays Arabic music. And his own orchestra stages an annual festival of sacred music, which last year dared to include at least a small Arabic Moslem element. Not this year, though. Rodan-Rudiakov talks *about listening to each other's* musics, about being proud to bring in Moslems to listen to his orchestra, about tolerance. But these are one-way gestures. Israel's musical life is just as segregated as its political life.

Any deeper understanding is out of bounds, cultural cross-fertilisation about as fantastic and *improbable as time travel*. The existence of subscribers to the Jerusalem SO's concert series from East Jerusalem suggests that from the Arabic side there is a different perspective, a greater willingness to cross the boundary.

This brings me to a fundamental cultural question: should we allow European-rooted music and culture generally to foist itself upon, and assume supremacy to, the culture of any nation? I first asked myself this in Brazil in the mid-1980s, when I attended a concert by the local professional symphony orchestra in Salvador, the African-flavoured capital of Pernambuco. The hall was packed with people who obviously felt that to be there was a Good Cultural Thing To Do on a Sunday evening. The performance was technically and musically awful. The audience acknowledged it with tumultuous applause, and I came away with an overwhelming feeling that Mozart had no right to be heard there at all.

I am not suggesting that in Brazil, South Africa or Israel there is *no place for European-style* symphony orchestras – hearing Mozart played rather better in the more cosmopolitan, European-flavoured Rio might have been a *different matter*. And in any case, Brazil will always have its Samba bands, South Africa its indigenous tribal musics.

In Oman, the Sultan, a passionate *lover* of European music, is doing his best to sow the seeds of a European musical tradition. Perhaps the ideal solution for Israel would be the institution of a Palestinian Symphony Orchestra and of a Jewish ensemble devoted to seeking out the highways and byways of Arabic and Moslem music. But that would assume a more enlightened, integrated society.

Obituary

Klaus Tennstedt

It was Klaus Tennstedt's belief that you couldn't conduct Mahler unless you had really suffered. And Tennstedt, who died late on Sunday at his home in Kiel aged 71, suffered more than most. Perhaps that was why his Mahler performances made such an indelible mark on London's *musical life throughout the* 1980s. There was something about his ultra-expressive, soul-infused, occasionally inexact interpretations with the London Philharmonic that sucked musicians and audiences alike into Mahler's turbulent world of thought and feeling.

Tennstedt was inspirational and eccentric, a highly emotional man and a conductor of rugged, visceral instincts. Born in Merseburg in 1926 and educated at the Leipzig Conservatory, he was forced to give up a promising career as a violinist because of a growth on his left hand. He made his conducting debut at Halle in 1952, and spent 20 years in the provincial obscurity of East Germany's state music system, before fleeing to the west in 1971. A last-minute engagement with the Toronto Symphony Orchestra led to a sensational debut with the Boston Sym*phony in 1974 and a decade* of international triumph. After contracting throat cancer in 1985, Tennstedt's life became a litany of can*cellations, operations* and heroic comebacks.

For many London concert-goers, Tennstedt was a living legend, because he conducted each performance as if it was his last. Although he made his UK debut with the London Symphony Orchestra, the London Philharmonic was the love of his life. He first conducted it in 1977, became principal conductor in 1983 and conductor laureate in 1987. Changes in the personnel and senior management played a crucial part in his decision to retire in 1993.

Despite malign fate (including the suicide of his daughter), Tennstedt conquered adversity time and again. All his performances bore the scars of his troubles. His Mahler was stamped with Faustian energy, colossal exaggerations of speed and dynamics, occasional risks that didn't work. He made a huge, epic narrative out of Schubert's Great C major Symphony and Beethoven's Eroica. His Bruckner Seven was incandescent. But his repertoire never grew much. In Tennstedt's words, "Mahler was the last genius". His EMI cycle of the symphonies is a fitting monument. Sadly, he leaves no recordings of Beethoven's *Fidelio* or Ninth Symphony.

On the podium, Tennstedt was an ungainly figure, his lank, scarecrow features bobbing up and down on stalk-like legs. Off the podium, he was shy, cumbersome, demanding and almost peasant-like in his ordinariness. But when it came to communicating the spirit of the music, Tennstedt had few peers.

Andrew Clark

Theatre/Sarah Hemming

A bout of double vision

In a sense the two shows currently at the Vaudeville Theatre offer a step back in time, the one to variety, the other to 1950s-style cabaret. Both double acts, they are not presented as a double bill, but seen together give the viewer a fascinating bout of double vision – a chance to observe how each act has taken a now old-fashioned genre and applied it to the modern day.

The right size (sic) is a two-strong company, Sean Foley and Hamish McColl, that has been delighting fringe audiences for many years. Their latest show, *Do You Come Here Often?*, is a wonderful combination of surreal humour, visual gags and slapstick, in which Foley and McColl bring back memories of Morecambe and Wise in their heyday, with their benign, barmy and beautifully timed comedy. The two are perfectly contrasted physically: McColl (smallish, with wild eyes and unwieldy ears) is here attired in a morning suit; Foley (larger, with a goofy grin) is togged out in pyjamas and an anorak.

Meanwhile, the play (of sorts) starts out from a premise that out-Beckett's Beckett. The two men find themselves locked in a bathroom, unsure how they got there, why they got there, or how to get out. Twenty five years later they are still there. *From this basic situa*tion they draw out a sustained comic fantasy. They flash back to the point where they were beamed up *in the bathroom*, they address the audience, they do dance routines, tell jokes and stories and make old gags new (climbing up the *floor, but using toilet rolls* for a rope, for instance). They create worlds that they then undo at will, like children inventing elaborate realities then dropping them suddenly.

They are extremely daft and very lovable, but the nonsense is driven by some substantial points. The two men spend 90 minutes making fools of themselves, we learn, because they were afraid, in real life, of doing just that: meanwhile, the piece itself plays with notions of how we tell stories. And they constantly undermine their own success. "I can't believe you're still doing that sort of material," says McColl at one point, then adds, as the audience roars with delight, "I can't believe you're still getting that kind of reaction".

One could level the same accusation at Kit and The Widow who, after some time in the business, are still plying the same trade: cabaret, Flanders and Swann style, with The Widow tinkling the ivories and Kit handling the verbals (mostly). Songs come interspersed with jokes, confessions and scandalously glittering repartee. Compared with the right size, they suffer, being much less inventive with their chosen form, but their targets are up to the minute with "Meat on the Bone" and many of their lyrics are enjoyably sharp.

French lorry drivers are wittily roasted, as are the *chefs in the "New Soho"* who subject the vegetables in their menus to sadistic and blood-curdling preparation. Less successful is the *rather desperate Latin num*ber, "Nuts", about a chap who lost his in Brazil (oh dear) and a depressingly old hat one about Scottish coun*try dancing*. But the ballad of the New Age dog, who dreams of "a twin bar log effect that's powered by Sizewell B" is a delight; and "White Van Man", a raging rock'n roll number on the scourge of the road, clearly touched a chord in the audience. Their delivery is flawless, polished and poised; their style arch and sophisticated and what they do undoubtedly share with the right size is the ease and timing that comes from being a perfectly matched double act.

Both shows are at the Vaudeville Theatre, London WC2 (0171 836 9987).

Surreal humour, visual gags and slapstick: Hamish McColl and Sean Foley in 'Do You Come Here Often?' Alastair Muir

Concerts

Young musicians in a time warp

Last week, at London's Purcell Room on the South Bank, it *seemed* as *if* the clock had stuck at about 1980. The Park Lane Group – 42 seasons in the bag and still going strong – was presenting its latest Young Artists Concerts New Year Series.

Nowadays, the series has the flavour of a venerable, worthy but slightly jaded ritual. However, this year's fest showed that the execution of the music is as impressive as it ever was. And there is an important innovation: daily afternoon workshops for composition students led by composers of works to be heard in the evening, and by the two featured composers of the week, this year Diana Burrell and David Bedford.

Nevertheless, an overhaul is overdue. The nightly formula, for instance: an early evening short recital given by one artist or ensemble followed by full-length concert shared between two, demands too much of any audience for five consecutive weekday evenings. These performers deserve more, so why not give each group a concert to itself, and stretch the series over a fortnight? Programming at the moment seems largely a matter of this and that, with something by Bedford, or whoever, thrown in. There is a point at which diversity becomes a liability, not an asset.

Bedford's *In Memoriam, with its utterly predictable* and endless sequences, actually came near to ruining the Ukrainian pianist Evgenia Chudinovich's otherwise fine, Russian-dominated recital that climaxed in Sofia Gubaidulina's tough, ultimately exuberant Piano Sonata, a jazz-inspired work perhaps a little too saturated with self-conscious effects like playing the strings with chopsticks.

Burrell has a surer voice altogether, as her lyrical *Lament* for solo clarinet, *presented* by Elaine Cocks, showed. This enterprising recital with the pianist Rebecca Woodcock also included music by Judith Weir, Adam Gorb, Roderick Watkins, and Julian Anderson. (Incidentally, since many composers turn up to hear their own work, why not get them to talk with the performers on stage for a couple of minutes before the performance?)

Other artists heard early in the week included the fresh-faced accordionist David Farmer, who played with beguiling presence and skill. But here was a prime instance of a young man who needed stronger guidance in his programming. The music he chose, by Arne Nordheim, Edward McGuire, Nigel Clarke and Gubaidulina again, was too uniform, tending towards the dark and meditative, and too often resorting to his rather monochromatic instrument's most obvious harmonic trick, the cluster.

Then the cellist Alasdair Tait and his pianist Jeremy Young together offered an impressive, cogent and expressive reading of Elliott Carter's Cello Sonata in their recital, shared with an excellent saxophone and piano duo, Sarah Markham and Stephen de Pledge. Both ensembles performances *augured extremely well for* their futures. But Tait and Young looked faintly absurd and middle-aged in their conventional white ties and tails. It really is high time that this ridiculous uniform was abandoned. That is another aspect of presentation, cosmetic but crucial, in which the PLG should be giving a youthful lead.

S.P.

INTERNATIONAL ARTS GUIDE

■ BALTIMORE

EXHIBITIONS
Baltimore Museum of Art
Tel: 1-410-396 6310
A Grand Design: The Art of the Victoria and Albert Museum. First stop of a five-city North American tour of selected objects from the V&A's collection; ends on Sunday

■ BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Nikolaus Harnoncourt in works by Beethoven; Jan 16, 17, 18

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Jan 15

■ LONDON

CONCERTS
Queen Elizabeth Hall
Tel: 44-171-928 8800
London Sinfonietta: Elliott Carter at 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his Clarinet Concerto. With soloist Michael Collins; Jan 19

EXHIBITIONS
National Gallery
Tel: 44-171-839 3321
Recognising Van Eyck: bringing together several rare works by the 15th century Netherlandish master alongside other works; from Jan 14 to Mar 15

Tate Gallery
Tel: 44-171-887 8000
The Turner Prize 1997: display of works by each of the nominees on this year's all-woman shortlist; ends on Sunday

OPERA
Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Le nozze di Figaro, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19

■ LOS ANGELES

OPERA
L A Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 15, 18

■ MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
Il Cappello di Paglia di Firenze: by Rota. Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 15, 16, 17, 20

■ MUNICH

EXHIBITIONS
Haus der Kunst
Ellsworth Kelly: retrospective of the American abstract painter and sculptor, b.1923, now in his 70s and one of the most distinguished living artists; ends on Sunday

■ NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
Jewels: by Balanchine, to music by Fauré, Stravinsky and Tchaikovsky; Jan 14, 17

EXHIBITIONS
EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Gianni Versace: this tribute to the late Italian designer explores the influences upon his work of abstract artists including Warhol, and of historical styles ranging from Greek and Roman classicism to 18th century court styles, and the Vienna Secession. The show also explores his use of new materials such as plastic and leather, and includes designs for the theatre; to Mar 22

Museum of Modern Art
Tel: 1-212-708 9480
www.moma.org
On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection. More than 80 works by artists including Tony Cragg and Cindy Sherman; to Jan 20

Whitney Museum of American Art
Tel: 1-212-3272801
● The Warhol Look/Glamour Style Fashion: major retrospective of around 500 works of art, following Warhol's career from the 1940s to the 1980s, and also including works by his contemporaries; ends on Sunday
● Fashion and Film: running concurrently with the Warhol show, this film and video series traces the relationship between the two industries, from early fashion newsreels and the studio designers of the 1930s to the present; ends on Sunday

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 16
● La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Jan 15, 20
● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Jan 17

■ PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Russian State Symphony Orchestra: conducted by Evgueny Svetlanov in works by Sibelius and Stravinsky. With violin soloist Dimitri Makhtin; Jan 20
● Vienna Philharmonic Orchestra: conducted by Lorin Maazel in works by Schubert, Maazel and Ravel. With flute soloist Wolfgang Schulz; Jan 14

EXHIBITIONS
Musée Carnavalet
Tel: 33-1-4272 2112
Paris and the Parisians in the time of Louis IV: more than 300 engravings, which together create a vivid impression of 17th century Paris. Including portraits, images of the city and its monuments, as well as proverbs, allegorical works, and almanacs; ends on Sunday

Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809), who was a favourite of Louis XV and Louis XVI; to Jan 19

■ ROME

EXHIBITIONS
Musei Capitolini
Henri Matisse: more than 200 works are included in this major exhibition, which aims to demonstrate the profound influence of Oriental art upon the great modernist; to Jan 20

■ SAN FRANCISCO

OPERA
San Francisco Opera, War Memorial Opera House
Tel: 1-415-864 3330
www.sfopera.com
● Le Nozze de Figaro: by Mozart. Conducted by Ivor Bolton in a staging by Graziella Sciutti; Jan 14, 17
● Tosca: by Puccini. Conducted by Maurizio Barbacini in a staging by Lotfi Mansouri. Georgina Lukacs sings the title role; Jan 16, 18

■ VIENNA

EXHIBITIONS
Jüdisches Museum
Tel: 43-1-535 0431
www.jmw.at
Max Liebermann: selection of paintings by the German Impressionist, shown alongside the French paintings he collected; ends on Sunday

KunstHausWien
Tel: 43-1-712 0495
Herb Ritts: first European retrospective of work by the American photographer. *Previously seen in Boston*, the exhibition ranges from portraits of celebrities to images of Africa; ends on Sunday

■ ZURICH

EXHIBITIONS
Kunsthaus Zurich
Tel: 41-1-251 6765
Arnold Böcklin, Giorgio de Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; ends on Sunday

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*

● ***Business/Market Reports:***
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.

Edward Mortimer

New world order?

US inertia gives the UK government an opportunity to take the lead in preventing international conflict

Last Thursday was a busy day for foreign policy specialists. Two panels of international elder statesmen, both of US origin but each fronted by a former UK foreign secretary, came to London hawking their patent medicine for making the world a safer place.

Lord Carrington presented the findings of a taskforce on enforcing UN security council resolutions, set up by the United Nations Association of the United States.* Lord Owen, who preceded him as foreign secretary and succeeded him as mediator in the former Yugoslavia, laid out the wider-ranging proposals of the Carnegie Commission on Preventing Deadly Conflict.**

Ostensibly the two panels were looking at different problems: prevention and enforcement. In fact there is a lot of overlap. Would-be peace-breakers might be deterred, and deadly conflict prevented, if they knew the UN could enforce any sanctions it decided to take against them.

So the prevention report includes sections on both economic sanctions and "forceful measures". It advocates, in particular, the establishment of a UN rapid reaction force, "the core of which would be made up of 5,000 to 10,000 troops from members of the Security Council". Had the council been able and willing to deploy such a force in Rwanda in April 1994, the panel believes that "5,000 troops could have averted the slaughter of a half-million people".

The enforcement panel is more sceptical. It does not think UN member states will be ready "anytime soon" to consider the establishment of "a standing or even standby UN force". In Rwanda, it points out, "most countries outside the region neither perceived a national security stake in the outcome of the crisis nor were confident that there was a workable plan for how international intervention could quell the genocide, restore stability to the country and then exit gracefully".

The crucial point, it concludes, is not the existence of a ready-made force but the willingness of one or more big power to take the lead. And of course it would be much better if situations that require enforcement action could be prevented from developing in the first place. So this panel, like the other, stresses the need for early warning and early response to crises, and preventive diplomacy.

What was striking, though, was the trouble that both panels took to bring their reports to Europe, and to London in particular. Since the end of the cold war there has been virtual consensus that there is only one superpower left, and that only US leadership can bring about any kind of new world order. Given this, why bother with London at all?

The American funders and drafters of these reports do not really question the consensus about their country's power, but they reflect a growing fear among the US internationalist elite that, left to itself, the US political system will simply not produce the goods.

> The UK has taken over the six-month presidency of the European Union and the government is keen to give an 'ethical' foreign policy lead

After all, George Bush, inventor of the "new world order", is widely believed to have lost the presidency by spending too much time on foreign policy; and the Clinton administration, unable to extract money from a Republican Congress even to pay their country's UN dues, has become ultra-cautious about proposing any reform that might increase US obligations to the UN, or give the UN a *droit de regard* over any US policies.

The point was put bluntly by Jeff Laurenti, one of the authors of the enforcement report. The US administration would not take the lead in acting on the panel's recommendations, he said, but if Britain and France took an initiative he believed it would support them.

It seems a rather desperate hope, but in one sense the timing is propitious. The UK has just taken over the six-month presidency of the European Union, and the Labour government is keen to give an "ethical" foreign policy lead. Robin Cook, the foreign secretary, gave a personal welcome to the Carnegie report. He has also pledged to use the presidency to push forward an EU Code of Conduct on the arms trade – one of the conflict prevention measures urged by a group of UK think-tanks and charities in a 10-page briefing which, unlike the 257-page Carnegie report, a busy foreign secretary might actually find time to read.***

Like the Carnegie panel, the UK group backs the proposed international criminal court, to deter individual perpetrators of mass violence or genocide, which should be set up by treaty at a UN conference in Rome this June. Its other recommendations are more specifically directed to the EU:

- the enlargement process (starting this spring) must be used to promote human rights and stability in eastern Europe;
- the new Lomé convention, on which negotiations start in September, should do the same in Africa, the Caribbean and the Pacific;
- the EU should regulate trade in the light weapons (semi-automatic guns, machine guns, grenades, etc) that make civil conflicts deadly to so many people;
- the EU's new policy planning and early warning unit, created by the Amsterdam treaty, must be developed into a serious instrument of preventive diplomacy.

Can vigorous UK chairmanship produce agreement on such things among 15 EU members? Or is Brussels gridlock as deadly to victims of conflict as the Washington variety? And can any of this put a stop to the deadly conflict in Algeria, on Europe's doorstep?

The next six months should tell us.

**Words to Deeds: Strengthening the UN's Enforcement Capabilities. UNA of the USA, 801 Second Avenue, New York, NY 10017.*

***Preventing Deadly Conflict: Final Report With Executive Summary. CCPDC, 1779 Massachusetts Avenue, NW, Washington DC 20036.*

****Preventing Conflict, Promoting Development: Priorities for the UK Presidency. Saferworld, 3rd Floor, 33/34 Alfred Place, London WC1E 7DP.*

Edward.Mortimer@FT.com

Correction

In Martin Wolf's column yesterday ("A radical route to work") the annual cost of the wage subsidy proposed by Edmund Phelps for the US should have been given as $125bn, not $2bn as stated.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com. Translation may be available for letters written in the main international languages.

Governments already acting against human cloning

From Mr David Shapiro.

Sir, It is indeed "Time to act on cloning" (your leader, January 12) and you correctly state that "the weak link is the US". But your leader underestimates what has been done outside the US to provide that "practices which are contrary to human dignity, such as reproductive cloning of human beings, shall not be permitted". This last sentence opens Article 11 of Unesco's universal declaration on the human genome and human rights, adopted by Unesco's general conference last November.

The Council of Europe has just opened for signature the additional protocol to its bioethics convention on "the prohibition of cloning human beings". Twenty European nations have already signed the convention. The UK government, subject to the clarification of legal questions, is expected to sign it shortly.

So governments worldwide have already acted. What remains is to give effect nationally to Unesco's international normative declaration. The Mexican authorities may have noticed physicist Richard Seed's contemptuous assumption that, if banned in the US, he could move his announced operation to Tijuana just over the Mexican border. Unesco's international bioethics committee expects to play its role in monitoring the worldwide application of the Unesco declaration.

David Shapiro,
1b Woodstock Road,
London W4 1DS, UK

Not always a nice day

From Mr William Romeyn.

Sir, Richard Donkin's report that British workforces should accept the concept of "have a nice day", on the recommendation of Sandi Mann of the University of Salford, is intriguing ("British accept need to 'have a nice day' ", January 7).

Among the many surprising findings that we uncover is that staff are frequently not in the right job, or that their job function needs to be changed. In short, the workplace is full of round pegs in square holes. From the boardroom downwards, simple but important choices are overlooked or ignored, usually with wide-ranging repercussions. Many employees are not having such "nice days".

Could the real reason that we are urged to say "have a nice day" be that we prefer to muddle through rather than make changes that would lead to having one?

William Romeyn,
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13 Devonshire Street,
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Taken for a ride with hyperbole

From Mr Walter Grey.

Sir, Beware of hyperbole – as two contrasting examples from your January 5 edition, as it happens, will perhaps serve to illustrate.

There was, on the one hand, the startling front page suggestion by your economics correspondent that "the economy could face another boom-bust ride" ("Growth set to fall sharply say top forecasters"), when in fact the consensus of the three forecasts on which it was based is that UK economic growth will slow from an estimated (and clearly unsustainable) 3.5 per cent in 1997 to "close to 2 per cent" in the next two years – hardly, so far, the harbinger of a cataclysmic return to the (until quite recently) roller-coaster past.

When, on the other hand, Horst Siebert, president of the Kiel Institute of World Economics (and one of Germany's "five wise men"), elsewhere referred to the "obstacles to decision making that are inherent in a federal state" ("Model under strain"), one hopes this first-hand evidence will help to explode the myth (and glaring contradiction in terms) of an all-powerful, monolithic "federal superstate".

Walter Grey,
12 Arden Road,
London N3 3AN, UK

Signs are that the pound is unlikely to weaken

From Mr V. Anantha-Nageswaran.

Sir, Your warning about the inflationary risk of a weakening pound in 1998 is timely ("Watch out for the pound", January 10-11). Investors need to hear of it before it happens.

However, I am not sure if the pound would necessarily weaken and, even if it did, whether it would be a danger for inflation in the UK. Purchasing managers' surveys, while reiterating the strength of the service sector, routinely note the inability of producers and suppliers to pass on price increases to consumers. A slowdown in the UK economy induced by falling demand will reinforce this trend.

Retail price inflation excluding mortgage rate changes and retail price inflation excluding indirect taxation are well below their levels about 12 months ago – a clear manifestation that much of the inflation seen in the headline RPI is due to indirect tax increases in the Budget and from the base rate hikes by the Bank of England. Prices of industrial metals and crude oil are sharply lower than they were about a year ago. More importantly,the sharp fall in the pound in the wake of its exit from the European exchange rate mechanism in 1992 did not spark higher inflation in the UK in 1993 and 1994 because demand contracted. The inflation rate actually declined in those two years.

There is no reason why the pound should weaken if the continental European economies shake off their slump this year. Short rates in the "euro"-land are expected to be at around 4 per cent by end-1998 and even if UK base rate falls to 6.75 per cent or below by then, it would leave a healthy interest rate differential in pound's favour.

The markets, caught up with Asia, may have a turned benign eye towards the euro. But there are enough reasons for the launch or the initial months of the euro to be stormy. It may be far too early to discount the safe haven role of the pound or, for that matter, the dollar.

V. Anantha-Nageswaran,
Credit Suisse Private Banking,
Bond Research,
8021 Zurich, Switzerland

As substantive talks finally begin in Northern Ireland, **John Murray Brown** looks at the details of the proposed deal

Bullet points for peace

After more than 18 months of arguing about procedures, the participants in the Irish peace talks have finally got down to brass tacks. On the table is the "best guess" by the British and Irish governments of what a final settlement of the Northern Ireland question might look like.

The package, debated for the first time by a full session of the talks yesterday, envisages constitutional change in both the Irish Republic and the UK. This includes a new Ulster assembly, institutional structures linking Belfast and Dublin, and a council to represent the five parliaments of the two islands. It also provides for a bill of rights and new security arrangements.

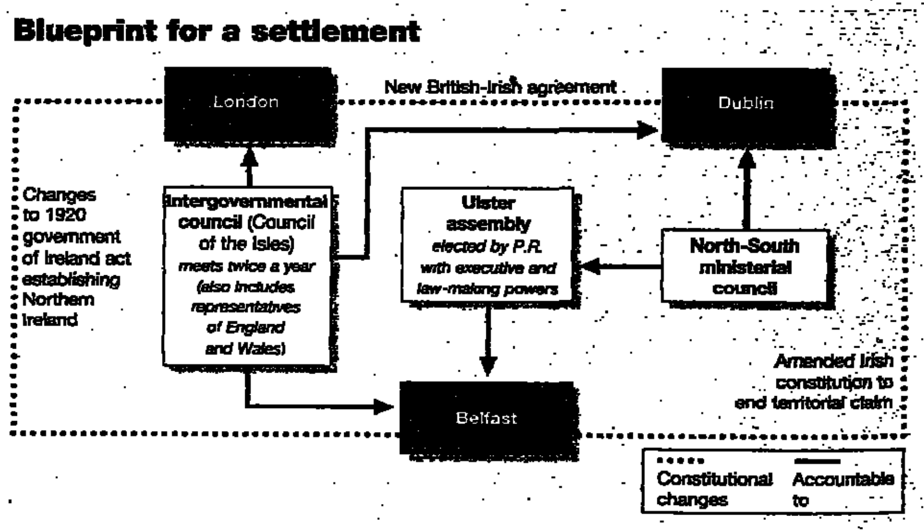
The proposals borrow from earlier failed attempts to resolve the Irish conflict – from the 1973 Sunningdale agreement, the Anglo-Irish agreement of 1985, the 1993 Downing Street declaration and the frameworks document of 1995.

The latest version, though only five paragraphs long, avoids much of the ambiguity that dogged earlier texts. And, say officials, "while in name" the proposals are the work of the two country's governments, they derive "in a very real sense" from the views of the participants. This, they say, should make it that much more difficult for Unionist and Republican politicians to disown them.

The initiative contains five main proposals:

- A power-sharing assembly for Northern Ireland, which would be elected by proportional representation. This would have executive and law-making powers and would replace the main government departments that have run the province since direct rule from Westminster was imposed in 1972.
- A new British-Irish agreement, which would replace the Anglo-Irish agreement opposed by Unionists because of the role it created for Dublin in Northern Ireland's affairs. The treaty would provide for two new bodies – an intergovernmental council (called by Unionists the "Council of the Isles") consisting of British and Irish representatives, the Ulster assembly and the new devolved institutions of Scotland and Wales; and a north-south ministerial council, which would allow each side to "consult, co-operate and take decisions on matters of mutual interest". The north-south council would be accountable to the Ulster assembly and the Irish parliament. Decisions could only be made with the agreement of both sides.
- The Irish government would undertake to amend articles 2 and 3 of the 1937 constitution laying territorial claim to Northern Ireland. In turn, Britain would change section 75 of the Government of Ireland Act of 1920 establishing Northern Ireland. This new "balanced constitutional change" would enshrine the principle that any change in the status of Northern Ireland would require the consent of its people.
- A Northern Ireland bill of rights would supplement the provisions of the European Convention on Human Rights, protecting not just political and legal rights but also the cultural identity and ethos of both communities.
- The two governments would also adopt measures to consolidate the peace in the areas of "prisoners, security and all its aspects, policing and decommissioning of weapons".

Blueprint for a settlement



On their own, each element will create problems for one or other of the parties. But the text at least avoids some of the verbal pitfalls associated with earlier proposals. No explicit mention, for example, is made of power-sharing, the central pillar of the 1973 Sunningdale agreement. The package merely states that the new assembly would be set up to "ensure that all sections of the community can participate".

On balance, the joint government initiative looks more Unionist or Orange than Republican green. The reference in the frameworks document to the "dynamic" character of proposed north-south bodies, which Nationalists saw as a precursor for further integration of Ireland, has been dropped. The only brand new element is the inter-governmental council linking parliaments in London and Dublin with those in Belfast, Edinburgh and Cardiff. This has been inspired by Unionists who see it as a way of tying the government of Northern Ireland more closely to that of Great Britain.

The battleground for the negotiations is likely to revolve around the relationship between this intergovernmental council and the north-south body. Unionists want their "council of the British Isles" to take precedence over any north-south links. This would enable them to claim the deal represents a strengthening of Ulster's role within the UK. The north-south institution, they stress, would be accountable to the new parliament in Northern Ireland. Moreover, it would have only consultative powers, rather than the explicitly executive role envisaged in earlier documents.

For their part, nationalists have seized on the reference to the "all-island" dimension of the north-south body. This, they argue, would underline that the northern Catholic minority belongs to the single island of Ireland. For most nationalists, the Council of the Isles is a sop to Unionists; they are prepared to live with it in return for new institutions linking Belfast and Dublin.

The real question mark hangs over the reaction of Sinn Féin, the political wing of the IRA, which will be forced to present the deal to militants as a staging post to a united Ireland. Sinn Féin will find two things hard to swallow: the watering-down of the Irish constitutional claim and the Ulster assembly – which they see as another "Stormont" (the Belfast parliament disbanded in 1972). The package has drawn a noticeably cool reception from Sinn Féin.

After months when the main concern has been avoiding a return to paramilitary violence, the focus of debate has now shifted to the political parties. The two governments have defined the parameters. Now it is up to Northern Ireland's politicians.

FINANCIAL TIMES
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Japan's way forward

"It is my strong determination not to start a financial or economic depression from Japan, to stabilise the financial system . . . and to restore confidence in the economic outlook," said Japan's prime minister, Ryutaro Hashimoto, on Monday. However, after a string of delays and U-turns in policy, it will take a lot more than words to bring confidence back. Japan's economic policy this year must be equal to the size of the problems that the world's second largest economy faces.

Japan is facing the possibility of a severe recession. Rising unemployment, weak wage growth and poor consumer confidence have led to a stagnation in domestic demand. Industrial production is falling, whilst inventories are building fast. And painful financial restructuring is just beginning. Troubled financial institutions are cutting back on their lending, causing a credit crunch. Add to this the deflationary impact of the Asian crisis and it is hard not to be deeply pessimistic.

The question now is whether the Japanese government will finally face up to the full extent of its problems, and produce policies that are up to the challenge. The past few months have seen some advances. The collapse of major financial institutions was a shock to a country used to government bailouts. And December's package of tax cuts and public money for the financial system, though insufficient in itself, ended what had been a deadlock in economic policy. There has been a discernible change in the climate, with heightened public debate, and even a new opposition coalition offering some firm policy proposals.

Ideally, the government would now stand up and announce clearly how it plans to revive the economy. This is unlikely. But the markets may force the government's hand. They are increasingly aware of the scale of Japan's problems, and will punish inaction severely – which could push the government into making policy changes.

There are two key areas which the government must tackle this year. The first is financial restructuring. The announcement that public funds will be made available to help the financial sector was welcome. The main caveat is that the government must ensure that help is not extended to banks which are insolvent. Recapitalising the banks may not end the deflationary credit squeeze, though, as slower lending may just reflect more prudent lending policies.

The second area is fiscal policy. The recent fiscal package was simply not large enough. Domestic demand is in an extremely weak state, and a major fiscal expansion will be needed to boost it. And this time, the government must make sure that the fiscal stimulus is not reversed too soon.

To back these up, the Bank of Japan must continue – and perhaps accelerate – its aggressive bond-buying programme. With very little scope for a further cut in the discount rate, this is the only way that the monetary policy stance can be loosened.

If Mr Hashimoto is to fulfil his promises, he must take decisive action. If it takes a further crisis in the financial markets to prompt him to do so, then it could be one crisis with a happy ending.

Microsoft goofs

Microsoft's appearance in court in Washington yesterday reflects a serious misjudgment on the company's part. It is accused of contempt of court for the way in which it responded to a preliminary injunction last year. That injunction – ordering Microsoft to allow computer-makers to which it supplies its Windows95 operating system to choose whether or not they also accept the company's world wide web browser – is merely a holding operation. The full case will be heard later this year.

Microsoft may yet win the battle in the courts. But it is losing the war for public opinion. The company was back in court yesterday accused of dragging its feet in implementing the injunction, by offering a sub-standard alternative to those customers choosing not to accept the Microsoft web browser.

Microsoft defends its actions by arguing that the US department of justice, which originally sought the injunction, doesn't understand software. Its aggressively worded arguments cut little ice with individual users, many of whom were well-disposed towards the company. After all, it has made its reputation by supplying reliable solutions to business problems. In responding to the injunction by raising problems rather than solutions, Microsoft has done itself no favours. IBM lost its computer leadership partly because it allowed itself to be dragged into a long-drawn-out war with the justice department. By responding as it has, Microsoft risks making the same mistake.

Albright attack

Madeleine Albright spent much of her first year as US secretary of state charming Congress into doing the Clinton administration's bidding. Yesterday, she resorted to scorn to shake Capitol Hill into paying up what America owes to the United Nations and the International Monetary Fund. She may not succeed, but she certainly deserves support for her effort.

In a speech setting out US challenges for 1998, Mrs Albright minced no words in telling Americans how counter-productive were Congressional actions to deny funds to the UN and the IMF, while UN inspectors attempt to keep a check on Saddam Hussein's armoury in Iraq and the IMF jets around Asia seeking to prevent financial meltdown.

Congress's failure to approve payment of UN arrears last autumn fatally weakened Washington's leverage in getting its Security Council partners to join in robust action against Saddam Hussein, she said. It also sabotaged, at least temporarily, UN General Assembly discussion of a plan to reduce America's future share of funding for the world body from 25 to 20 per cent.

"Truly ridiculous" was how Mrs Albright described the action by "a small group of House (of Representatives) members" to hold UN and IMF money hostage to an anti-abortion measure. "In 1998 we will insist the hostage is released," she said. Unfortunately, this may prove bravado. A US president has little power to insist in such matters.

But Mrs Albright was careful to direct her attack on the House, not the Senate whose benevolence she greatly needs this year. Fortunately, she has laid some of the groundwork by cultivating Jesse Helms, head of the Senate foreign relations committee. The two have traded pet projects.

Mrs Albright has met the hawkish Mr Helms' wishes in folding the "liberal" aid and arms control agencies into the State Department, while the senator has dropped his objections to the enlargement of the North Atlantic Treaty Organisation and is not kicking up a fuss over US peacekeeping troops staying on in Bosnia.

These are two of the priorities Mrs Albright set out for 1998. This still leaves her perhaps open to the charge that, child of Europe herself, she is too euro-centric – though it is inevitable, perhaps, that she should cede primacy to the US Treasury in dealing with the ramifications of the Asian crisis.

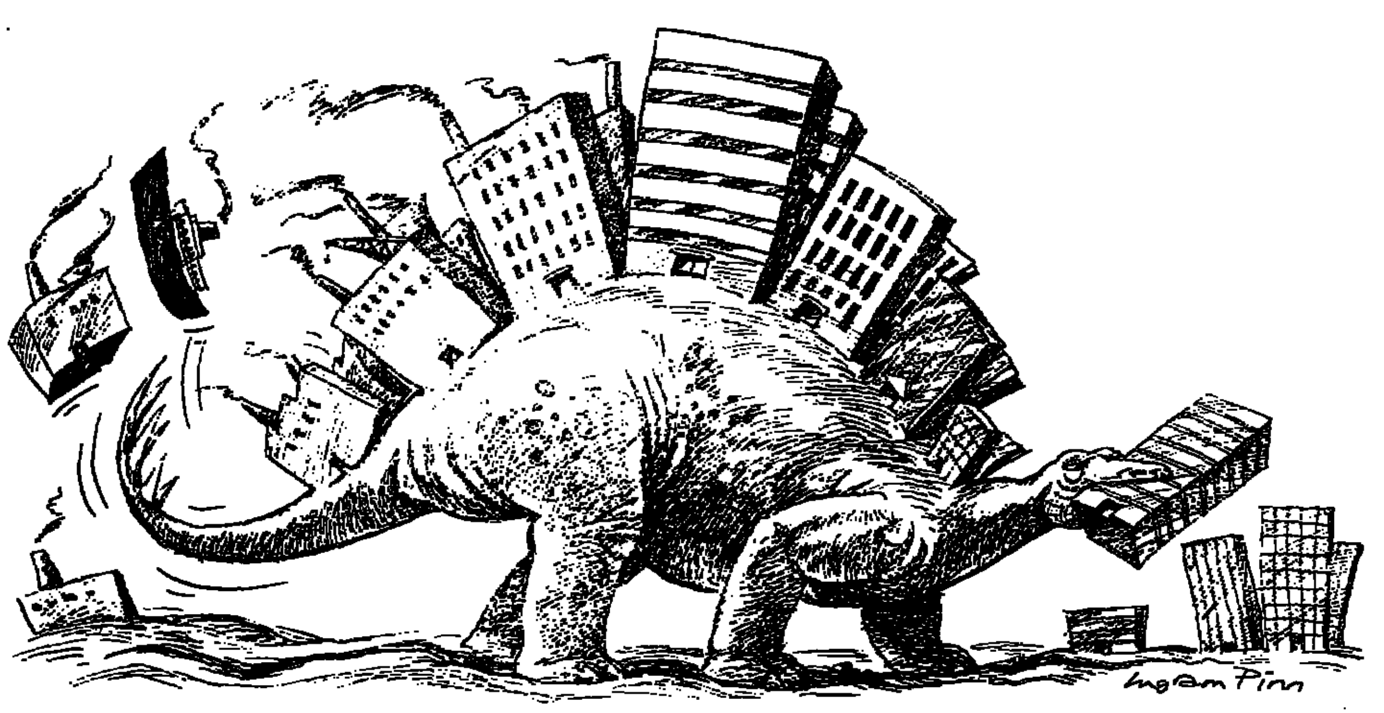
But one thing all of America's partners have in common is a frustration with Capitol Hill, that independent power centre that is difficult to please even when it is held by the same party as the White House.

Another illustration of the difficulty this creates will come this week when Robin Cook, Britain's foreign secretary, representing the European Union, goes to Washington to try to negotiate, among other things, a common approach to Iran. EU and US administration views seem to be converging, but Congressional sanctions legislation may force a transatlantic row.

With President Clinton in his second and last term, the administration should in theory have greater freedom of action on foreign policy. Sadly, Congress appears in no mood to untie the president's hands.

Jurassic Germany

The country's corporate behemoths are showing a surprising ability to change with the times, claims Ralph Atkins



German conglomerates sometimes seem like the dinosaurs of the corporate world. These companies – Veba, Preussag, Mannesmann – are huge. They have been, as dinosaurs were, successful and long-lived (some have been around since German industrialisation took off). The question is: are they, like dinosaurs, unable to evolve in the face of changing business conditions?

Not if Preussag is anything to go by. In the past week the diversified Hanover-based group has arranged to sell its steel subsidiary, Preussag Stahl, to the government of Lower Saxony, led by Gerhard Schröder, the Social Democrats' possible chancellor-candidate.

Mr Schröder may have won a few votes from anxious steel workers before state elections on March 1. But it is Preussag that is setting the pace in German industry.

Founded in 1923 as the Prussian Mining and Smelting Works, the company lost all its Polish coal mining interests after the second world war. Preussag was privatised in 1959. By the late 1980s it was mainly a non-ferrous metal business, then pushed into shipbuilding and steel.

Now it is jettisoning steel and plans to become one of Germany's biggest tourism groups. It has launched a DM2.8bn (£930m) bid for a controlling stake in Hapag-Lloyd, best known to most Germans for its travel agency, holiday airline and cruise liners. Today, half of Preussag's turnover comes from trading and logistics businesses.

The lessons are two. First, that German conglomerates know a thing or two about changes of direction. And second, that the trend in the Anglo-Saxon world away from diversification is not the only option. Many of the country's biggest industrial groups are ignoring pressure from financial markets to concentrate on the business they know best – and argue they can perform better as a result.

Rainer Feuerhake, Preussag's finance director, says: "If we had stuck only to traditional businesses such as mining, maybe we would still be alive. But we would not be one of the top 500 companies in the world. We would probably not be making money. We would be a dying conglomerate."

Preussag is not alone. In Düsseldorf, the energy and transport company Veba – founded in 1929 to incorporate Prussia's power and mining activities – is jumping into telecommunications.

Meanwhile, Mannesmann, once famed for its steel tubes, is far ahead in the telecoms business. Its D2 digital mobile network is the biggest in Germany. It is now buying into the in-car electronic navigation industry, paying DM1.3bn in October to buy Philips Car Systems from the Dutch electronics company.

But can a conglomerate really outperform more focused rivals, as some German industrialists claim? And if they do, does that mean German conglomerates have something to teach the rest of the world?

There are plenty of reasons why the answer to both questions should be No. A wide spread of activities means it is impossible for managers to understand what is going on in all their businesses. Diversification creates temptations to subsidise loss-making businesses, reducing shareholder value. Shareholders have little idea what is going on – and sophisticated fund managers should, anyway, decide for themselves where to invest their money.

"The normal view is that conglomerates should trade at a 10-20 per cent discount to their underlying value," says Paul Gibbs, an analyst at J.P. Morgan in London. "Investors can't see what is happening to their cash and they suspect it isn't going into the right places." J.P. Morgan research, comparing the performance of German conglomerates with "pure play" peers from 1992 to 1996, suggests that divisions of conglomerates underperformed more focused rivals. All these are reasons why some believe that shareholders would benefit if the corporate monsters were broken up.

But that is not the whole picture. The evidence on actual profitability is mixed. J.P. Morgan acknowledges that some divisions of German conglomerates can outperform "pure plays" – when the business has a leading position in world markets. Examples include Veba in energy and Viag in chemicals.

Even where markets do not value conglomerate performance highly, they may be getting it wrong, claim some Germans – and not only managers of conglomerates themselves. Dieter Heuskel, senior vice-president at the Boston Consulting Group in Düsseldorf, says that a new breed of conglomerate is emerging that can exploit advantages of scale and expertise in running complex businesses. "I have the feeling that financial markets just want more bits to play with. Perhaps the question of what is good for the company is becoming obscured by what is good for the investment banks."

Whether that is true or not, conglomerates have certainly shown one characteristic dear to the heart of investors – the ability to restructure rapidly. They have had to, for two reasons. The first is that globalisation has gone especially far in industries such as chemicals and engineering – traditional strengths of the conglomerates. At the same time, liberalisation, such as the opening of European electricity markets, has increased competition.

Second, they have had to bow to the pressures of the international capital markets which even large, cash-rich industrial companies cannot escape. Frankfurt's capacity is limited and if conglomerates are looking to the US – Veba was listed on the New York Stock Exchange in October – they have to respect US values. "We need the international capital markets and, therefore, we inevitably need to meet international standards," says Georg Obermeier, chairman of Viag, the Munich-based electricity, chemicals and packaging conglomerate.

At the very least, that means greater transparency through the use of global accounting standards: cross-subsidisation is exposed; hidden reserves can no longer be used to disguise a bad set of earnings. Germany's largest industrial concern, Daimler-Benz – which listed in New York in 1993 – provided a dramatic example when half-year figures showing a profit under local rules turned into a thumping DM949m loss by US standards. Subsequently, Daimler-Benz has turned away from a strategy of creating an integrated technology concern to focus on a core group of automobile, aerospace and related businesses.

In turn, the embrace of shareholder values means the traditionally intertwined interests of employees and owners have diverged. "Less social consensus, although it is important, and more value-added. This is the trend change in Germany," says Mr Obermeier at Viag.

But becoming more efficient is not in itself justification of a conglomerate strategy. In the run-up to its New York listing, the point was not lost on Veba. A summit of executives in 1995 in Berlin addressed the question of whether a diversified strategy, partly inherited from the Prussians, remained appropriate.

The answer, according to Ulrich Hartmann, chairman, was Yes. Veba's analysis is that a conglomerate can manage shareholders' capital more efficiently than an investor could on his own. "We are more than a share fund. We are entrepreneurial owners. That means much more," he argues. A conglomerate structure ensures controls on money and favourable capital costs for developing businesses.

Success, however, depends on a high degree of decentralisation because nobody at headquarters can understand the whole spread of businesses. Veba is going to list 49 per cent of Stinnes, its distribution and logistics subsidiary, to increase transparency and make it possible to put a value on Stinnes's activities.

Conglomerates also claim they are better judges of where growth opportunities lie. "Companies have a role in creating new investment opportunities for investors and not just running existing businesses," says Mr Heuskel of Boston Consulting. That also means judging when it is time to get out of a business – either because it is loss-making, in decline, or cannot be justified as part of the portfolio.

In the past two years, Viag has disposed of businesses with annual sales of at least DM3.3bn. Between 1993 and 1996, Veba shed activities with some DM6bn of sales. In addition, Veba's subsidiary Stinnes said it would sell its inland shipping and recycling businesses. Veba's Mr Hartmann says: "We must concentrate and we must undertake activities that are reasonable, where we have a particular know-how. We had, overall, too many business areas." At the extreme, that can mean giving up as a conglomerate. Hoechst, for example, has transformed itself from a chemicals and pharmaceuticals conglomerate into a group focused on life science businesses.

After all, even German conglomerates accept there has to be logic behind their portfolios. For energy-based groups such as RWE and Veba, entry into telecommunications makes sense because they can piggy-back a telecoms network on to electricity pylons.

German conglomerates like to think they can show the world there is an alternative to a strategy of pure focus. Some, at least, have shown it is possible to outperform single-minded rivals in the right circumstances – when their organisations are transparent, when there are no cross-subsidies and when they keep an eagle eye on international market developments. This means being prepared to get out of businesses as well as to buy them. All that may not sound very dinosaur-like – but then, these are dinosaurs capable of evolving surprisingly fast.

Pro-business Socialist

Gerhard Schröder is no Tony Blair. That much is clear after the unexpected offer late last week by the Lower Saxony government, headed by Mr Schröder, to buy a controlling stake in Preussag Stahl.

Lower Saxony's Social Democrat prime minister may pitch himself as the more pro-business of the SPD's two possible candidates to take on Helmut Kohl, the chancellor. Certainly, he is outspoken about the need to adapt to globalisation. Compared with his rival, Oskar Lafontaine, Saarland's prime minister, he is more receptive to ideas for reforming Germany's over-burdened welfare system.

But Mr Schröder's economic policy follows traditional German ideas about looking after the interests of trade unions and business with old-fashioned state intervention. His is also a defensive policy: his worry was that steel jobs in Lower Saxony would fall victim to a foreign buyer's plans.

The deal to buy Preussag Stahl will not be concluded until the end of February. The aim then will be to sell on to private investors. That is unlikely before March 1 – when Mr Schröder faces state elections. Shortly after that, the SPD will choose its chancellor candidate.

It would have been unthinkable for Mr Blair to have run for office while sealing the fate of a steel business worth more than DM1bn (£300m). But, as a government spokesman said yesterday: "Mr Schröder is Mr Schröder, and he need follow no other as an example."

· OBSERVER ·

Heinz full of beans

■ Heinz Schimmelbusch has kept a low profile in the four years since he was ousted as chairman of Metallgesellschaft after it ran up huge US oil futures trading losses. Yesterday he put his head above the parapet in Frankfurt.

Austrian-born Schimmelbusch, 58, who lives near Philadelphia, seemed to have recovered most of his old ebullience as he steered clear of the painful subject of Metallgesellschaft and banged on about an investment by Safeguard International Fund, of which he is a managing director. This brought him back into business in Germany "in a moderate way", he said, but he made clear that he harboured no extensive ambitions in the country he left under the cloud of one of its biggest post-war corporate crises.

At least events haven't spoiled his appetite – to make his trips to Frankfurt more palatable, he has invested in an Italian restaurant. As long as he sticks to olive oil this time round, he shouldn't get into too much trouble.

Touch down

The demise of Peregrine, Hong Kong's biggest independent investment bank, has administered a severe drop kick to the territory's premier sporting event, the Rugby Sevens. Peregrine was to have sponsored this year's scrumfest.

Now, just 10 weeks before kick-off, officials have to decide how to tackle an HK$8bn pile of "Peregrine Sevens" rugby shirts, caps, sports bags and other paraphernalia.

In a serious effort to be cheerful, officials say the sponsorship money – some HK$30m over three years – is far from vital to the event's success. In 22 years it's become a money-spinner in its own right, through ticket sales and corporate hospitality.

That's as may be, but questions were already being raised over the future of the event in post-colonial Hong Kong, and the timing of rival events means that some top players might not turn up this year. Now that the financial services industry – an important source of beery spectators as well as sponsorship and corporate junketing – isn't so much up as under, the whole tournament might be in for a bit of a ruck and maul.

OTE top

■ Former Massachusetts Institute of Technology professor George Chryssolouris had a bit of a battle to win the top job at OTE, Greece's biggest company.

An electrical engineer who set up his own software company in Boston, Chryssolouris looks well qualified to do a spot of streamlining at the state-controlled telecoms outfit. He has had spells of consulting for companies like Boeing, General Dynamics and Daimler-Benz, and copyrighted software to help engineers make decisions more quickly – that might come in handy at the lumbering OTE.

He has acted as special adviser on information technology to prime minister Costas Simitis, though that didn't help much in his bid to run OTE. The top job is in the gift of the economy minister and it took a month of horse-trading between cabinet factions before Chryssolouris was allowed to unseat chairman and acting chief executive Dimitris Papoulias, who wanted to keep both jobs.

Papoulias's nose may be out of joint, but the US institutions which own about 10 per cent of OTE will be well pleased.

Goh carefully

■ At over six feet, Singapore prime minister Goh Chok Tong is used to standing out in a crowd. But yesterday in Jakarta he had another reason for walking tall. The gross domestic product of Singapore – population 3m – is around $90bn while, after the collapse of the rupiah, 200m-strong Indonesia's latest budget forecasts are for output of less than $50bn at current exchange rates this year.

But Goh would still probably prefer to be thought of as David rather than Goliath: his visit was prompted by concern over that old Singapore nightmare – economic and political uncertainty in its close neighbour putting pressure on the island state's own stock market and currency.

Centre court

■ The modern equivalent of the Court of Versailles swings into action this week in Paris: journalists and other supplicants are invited to see and be seen, to sip champagne and to shake hands with top politicians at a series of New Year jollies known as voeux.

It's tough packing them all into a week, and today's media voeux of finance, economics and industry minister Dominique Strauss-Kahn has been scheduled at the same time as that of National Assembly leader Laurent Fabius and just 30 minutes before that of culture minister Catherine Trautmann. Even the most assiduous courtier won't be able to pay homage to all the princelings.

The Financial Times

100 years ago

Excitement In Havana
New York, 13th Jan. The following telegram has been received here from Havana. Yesterday morning about a hundred Army officers, incensed at the newspaper attacks on the Spanish Army in Cuba, began smashing the windows and destroying the printing presses at the offices of the journals "La Discusion" and "El Reconcentrado." They also assaulted the employees on the premises. A mob of about a thousand accompanied the officers, shouting "Viva España" and other similar cries. Still more violent acts on the part of the rioters were prevented only by the appearance of the military commandant.

50 years ago

Reviving German Industry
Montreal, Jan 13. Declaring that the fate of Western Europe is dependent on a productive Germany and the fate of the world is closely linked with Europe, Mr. Lewis H. Brown, chairman of the John Munville Corporation, gave the Canadian Club some "emergency prescriptions." He suggested that a responsible German Government be created, but basic control should remain in Allied hands.

FINANCIAL TIMES
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Chinese buyers show interest in Peregrine

By John Ridding and Louise Lucas in Hong Kong

Chinese companies were among those interested in buying parts of Peregrine, Philip Tose, chairman of the collapsed Hong Kong investment bank, said yesterday.

Peregrine officials would not name possible buyers, but several Chinese entities have *signalled their intention to* expand or develop investment banking activities in Hong Kong.

These include the Bank of China and China Everbright, which reports directly to China's state council.

Ka Wah Bank, the Hong Kong financial arm of China's flagship investment vehicle Citic, is also a possible buyer, say analysts. Ka Wah's bid to buy into Jardine Fleming Bank, part of the Jardine Fleming investment banking group, fell apart because of the market turmoil at the end of last year.

Mr Tose, speaking in public for the first time since Peregrine's collapse, said Price Waterhouse had been appointed provisional liquidators. Peregrine Securities and Peregrine Capital are considered the most attractive divisions for buyers.

Mr Tose confirmed that the group had sought help from the Hong Kong government after Zurich Group of Switzerland pulled out of a US$200m capital injection last week. But the company was refused on the grounds that a collapse would not pose a risk to Hong Kong's whole system.

Mr Tose said the group's demise was due to a liquidity problem arising from the regional crisis and the sharp fall in Indonesian rupiah. "Once the rupiah had halved in value from 5,000 [to the US dollar] to 11,000, that would definitely have necessitated us taking a significant write-down," he said.

"We had discussed that with Zurich Group and agreed a figure that was quite substantial and would have put us into a loss for the year to November."

Analysts estimate the total loan exposure was around US$1bn. In addition to a loan of more than US$200m to Steady Safe, an Indonesian taxi company, exposure is thought to include US$300m to other regional companies and substantial exposure on its fixed income books.

Zurich Group backed out after First Chicago, one of Peregrine's leading bankers, baulked at providing a short-term loan of US$60m last Friday.

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Tose profile and Peregrine in Indonesia, Page 18

Russia and France step in after Iraq blocks inspector

By Laura Silber in New York

Russia and France yesterday sought to defuse the latest stand-off over United Nations weapons inspections in Iraq after Baghdad blocked a UN team led by an American, who it claimed was a spy.

The Security Council was last night considering a response to the biggest crisis since the showdown with Iraq late last year.

Kofi Annan, UN secretary-general, said: "Governments who have influence with Baghdad are in touch with the Iraqi authorities."

Russia, which last November intervened to end that crisis, said it was taking active steps to find a solution. France is urging Iraq to reconsider its ban on an inspection team headed by Scott Ritter, a former Marine Corps captain.

Britain, however, condemned *Iraqi President Saddam Hussein* for "defying the will of the international community". John Weston, British ambassador to the UN, said: "It really looks as if Iraq is looking for any excuse not to comply with the United Nations."

The US also denounced Iraq and said it was seeking a multilateral response, but would go it alone if necessary. "It is always better to act in concert with others when we can, but there is never any reluctance to act alone if we must," White House spokesman Mike McCurry said.

A call by Bill Richardson, US Ambassador to the UN, for the Security Council to send a "very strong message" to Iraq was not likely to be answered. Unlike the US and Britain, the other three permanent members – Russia, France and China – want to see the early lifting of sanctions that were imposed on Iraq after it invaded Kuwait in August 1990.

Baghdad yesterday allowed other UN teams to carry out inspections, but blocked the team led by Mr Ritter – who was denounced by an Iraqi newspaper as a "hyena which publicly serves American intelligence".

After Iraqi authorities failed to send the necessary government escort, Mr Ritter told reporters: "This is an unfortunate turn of events. As a result I have had no choice but to postpone the inspection ... I will report to the executive chairman and seek additional instructions."

Iraqi authorities said the suspension would remain in effect until the composition of the team was altered – currently Americans outnumber other nationals on the team.

Oil price rises, Page 22

SAP expansion moves will create up to 5,000 jobs

By Paul Taylor in London

SAP, the German business software group, is to expand its workforce by almost 40 per cent, creating up to 5,000 jobs, including 2,000 in Germany, in the next 12 months.

The expansion plans highlight the success of SAP, whose enterprise resource planning (ERP) software is used by many multinationals to run their operations.

Strong demand for its flagship R/3 software suite has turned it into the fourth-largest software company in the world.

It is one of the few European companies in an industry dominated by US groups such as Microsoft, Oracle and Computer Associates.

Dietmar Hopp, joint chief executive, detailed SAP's growth plans during a ceremony to mark the start of construction of a training and service centre in St Leon-Rot in Germany, where it is investing DM100m ($55m) over the next two years and increasing the workforce from about 100 at present to about 1,200.

SAP acknowledged that it may have to scale back its expansion plans in Germany if it cannot recruit enough high-quality software engineers.

The bulk of the jobs created outside Germany will be in the US, which accounts for a third of the group's revenues and is its main growth market, and in Japan.

While some software companies have been affected by the increasingly uncertain outlook in the Far East, SAP insists its prospects in the region remain buoyant.

Last week the group said turnover grew by nearly 60 per cent last year, with earnings per share likely to show an increase of more than 50 per cent. Costs had grown considerably but not as rapidly as sales. In October, it said the fourth quarter would show slower growth than the third, when sales soared 82 per cent. Sales in the first nine months rose 61 per cent to DM3.8bn.

SAP's customers include most of the multinational oil and pharmaceuticals companies, food manufacturers and many companies in the IT sector itself, including Microsoft.

It has about one-third of the $10bn enterprise applications market ahead of rivals like Baan, Oracle and PeopleSoft.

The Heidelberg-based group, which was founded in 1972 by a group of IBM engineers including Hasso Plattner and his fellow chief executive Mr Hopp, has seen annual revenue and profits growth rates of more than 60 per cent.

Shares in SAP rose DM4.70 to close at DM572.70.

See Lex

Authorities search Microsoft's Tokyo offices

Continued from Page 1

with both the judge and the justice department yesterday as a hearing opened in which the US government is seeking a $1m a day contempt of court fine on the company.

The justice department accuses the software manufacturer of a "cynical" attempt to thwart an earlier order by Judge Thomas Penfield Jackson that it "debundle" its internet browser from its Windows operating system.

The company responded by offering PC manufacturers an older version of Windows without Internet Explorer or a current version with the browser removed but in a form that is not fully functional.

Richard J. Urowsky, for Microsoft, told Judge Jackson that the justice department knew that would be the result. "The government got what it wanted, knowing full well what the consequences would be," he said.

Philip R. Malone, for the justice department, argued that Microsoft could simply have told manufacturers to use a simple programme within Windows 95 to remove the browser. By its actions, it "defied rather than complied with that order," he said.

He called an expert witness to demonstrate that the browser could be removed simply without the damage to the rest of Windows 95's operations which Microsoft has claimed would result because the browser is integrated into the operating system.

Mr Urowsky replied that such measures removed only a small number of Internet Explorer's files.

THE LEX COLUMN

Fantasy football

Big packaging on the field: even bigger packages off it. The US National Football League is on course to secure a staggering $15bn for its broadcast rights over the next eight years, an effective 70 per cent increase on the $4.4bn it was paid over the past four.

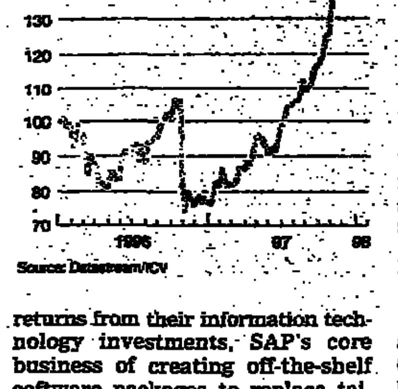
It is hard to see how the television networks stumping up these enormous sums can make them pay. CBS, which is elbowing its way back into the sport by paying $500m a year for a slice of NFL games, says it should at least break even – after taking account of higher advertising revenues. However, in 1996 the combined operating profit of CBS network and its TV stations was less than $400m.

More direct advertisement income is only part of the picture. The networks see football games as a vital platform for promoting other shows, attracting a younger audience and boosting their status. But much is macho posturing – such as the battle shaping up between ABC and NBC for the remaining piece of the NFL pie – from which shareholders are unlikely to get a decent return.

Following British Sky Broadcasting's record payment to renew UK soccer rights, the NFL deal is further *proof of how value is shifting* from networks to content providers. But the process can swing too far: baseball's price dropped a few years ago after the networks realised they had overbid and the sport was crippled by a players' strike.

FTSE Eurotop 300 index
986.4 (+14.4)

SAP



Source: Datastream/ICV

SAP

With German employment at its lowest since reunification, SAP's plan to create 5,000 jobs – 2,000 in Germany – is a rare sign of labour market vitality. That SAP, with 13,000 employees, is justified in a near 40 per cent increase in its workforce reflects its expansion as Europe's boldest response to Silicon Valley. In a labour market often mistrustful of globalisation and moves to a more service-oriented economy, such domestic job creation in the new software industry is symbolically important.

On the back of sales and profits growth of more than 60 per cent, SAP shares have increased more than 150 per cent in the last year, taking the market capitalisation to DM57bn ($31.3bn). While sales growth is likely to decline to around 35 per cent in 1998, fundamentals look solid. As businesses focus ever more closely on tangible returns from their information technology investments, SAP's core business of creating off-the-shelf software packages to replace tailor-made systems that are expensive to maintain looks healthy.

Nevertheless, winning a large share of the IT business generated by the "millennium bomb", the advent of dual currency pricing in Europe and internet retailing will be necessary to justify the share price. SAP must also remain *unaffected by Asian turmoil – unlike its* US rival Oracle. And if the US listing planned for later this year succeeds in boosting its presence in its biggest market, the shares, even at a 1998 price/earnings ratio of around 50, look well-supported.

Corporate governance

Has the threat of legislation succeeded in galvanising UK institutional shareholders into activism? The National Association of Pension Funds' new missive on voting issues seems to be even tougher than the Hampel committee, and does not fight shy of asking companies to tick boxes. The checklist falls short of radical action, such as demanding votes at annual meetings on executive pay. But it is refreshing to see the corporate governance initiative being seized by mainstream investors, rather than leaving it mainly to gadfly organisations such as Pirc.

Hopefully the institutions can do enough to stave off legislation dictating how they should act. Compulsory voting, for instance, would not necessarily make for compulsory thinking through of the issues. The non-thinking response would be to go along with management, diluting the genuinely active shareholders. But does a checklist that largely calls for explanation, rather than change, amount to real action? The government may want to see more evidence of the latter, at annual meetings, for instance, before relaxing on this front.

Perhaps the best hope for an increase in constructive involvement by shareholders is that a handful now controls so much of the UK equity market. This makes it less easy for them to slip unseen from the registers of companies when they lose faith in the management. The incentive for action should already be there without the stick of the law.

ICI

If ever a UK company deserved an activity prize it must be Imperial Chemical Industries. It might have been supposed that Charles Miller Smith, the chief executive brought in from Unilever, would *settle down* to run the speciality chemicals businesses he has bought for nearly £5bn ($8bn) from his old employer. After all, it is important ICI shows it can add something to this acquisition. But the chairmanship beckons and his knowledge of the businesses *will no doubt continue to be* valuable.

The signing of Brendan O'Neill from Guinness brewing fits in with ICI's move upmarket, away from commodities and into areas more attuned to marketing. He has been put in charge of businesses that will be part of ICI's new core, which should prove a good test of his chief executive credentials.

The group still has disposals to make and, once its balance sheet recovers, further acquisitions. This should point to a strategic role for Mr Miller Smith. He will have to "stand sufficiently back from the day-to-day running of the business", as the Cadbury committee on corporate governance put it. Sir Ronald Hampel, ICI's current chairman, who is in charge of a follow-up report to Cadbury, is not a great believer in the word non-executive when attached to the chairmanship. ICI looks set to provide an interesting test for the alternative counterweight to the executive: a team of independent non-executive directors, led by a senior figure to whom shareholders can turn if the bold strategy does not work.

Additional Lex comment on UK retailers, Page 19

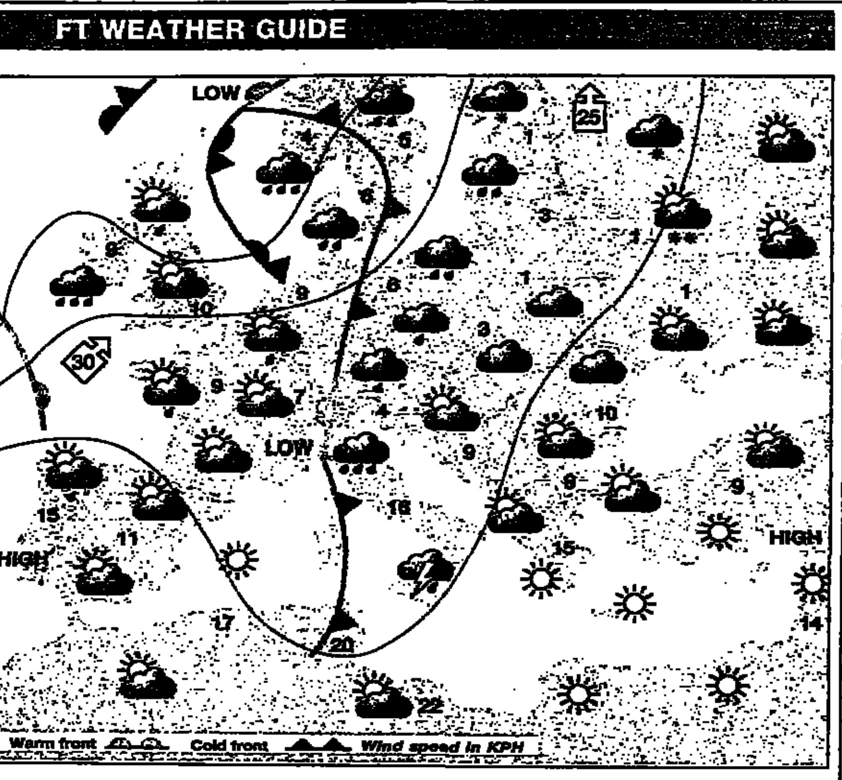
FT WEATHER GUIDE

Europe today

Southern and central Scandinavia will be mild with rain. The far north and east will be much colder and there will be outbreaks of snow. The Low Countries, Germany, Austria and Switzerland will have rain or showers, with some sunshine only in western areas. France will have sunny spells and scattered showers, locally heavy and thundery in the far south. Central parts of the Mediterranean will be showery, the showers heavy and thundery at times. The east and west will be mainly dry and sunny.
The Balkans will be mostly dry, with snow in parts of eastern Europe.

Five-day forecast

It will remain unsettled, with Atlantic lows moving quickly across western Europe. These will bring rain or showers throughout the week. Central Europe will also be unsettled.
The Mediterranean will have further showers.



TODAY'S TEMPERATURES

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

	Maximum	Beijing	Cloudy 0	Cardiff	Shower 10	Frankfurt	Cloudy 7	Madrid	Fair 11	Rangoon	Fair 33
	Celsius	Belfast	Shower 7	Casablanca	Fair 18	Geneva	Shower 7	Majorca	Fair 15	Reykjavik	Fair 1
Abu Dhabi	Cloudy 18	Belgrade	Fair 11	Chicago	Snow -6	Gibraltar	Sun 17	Malta	Fair 18	Rio	Thunder 30
Accra	Sun 33	Berlin	Cloudy 6	Cologne	Fair 9	Glasgow	Shower 8	Manchester	Shower 8	Rome	Rain 16
Algiers	Shower 17	Bermuda	Shower 22	Dakar	Sun 25	Hamburg	Rain 11	Manila	Fair 30	S. Frsco	Rain 17
Amsterdam	Rain 9	Bogota	Fair 21	Dallas	Sun 12	Helsinki	Drzzl 2	Melbourne	Thunder 25	Seoul	Shower 6
Athens	Fair 17	Bombay	Sun 33	Delhi	Fair 22	Hong Kong	Shower 16	Mexico City	Fair 24	Singapore	Thunder 32
Atlanta	Rain 11	Brussels	Rain 9	Dubai	Fair 21	Honolulu	Fair 28	Miami	Fair 27	Stockholm	Rain 5
B. Aires	Thunder 28	Budapest	Cloudy 6	Dublin	Fair 8	Istanbul	Sun 13	Milan	Rain 7	Strasbourg	Cloudy 7
B.ham	Shower 8	C.hagen	Cloudy 5	Dubrovnik	Rain 14	Jakarta	Thunder 32	Montreal	Fair -8	Sydney	Cloudy 30
Bangkok	Fair 34	Cairo	Fair 20	Edinburgh	Shower 8	Jersey	Shower 11	Moscow	Snow -7	Tangier	Fair 16
Barcelona	Fair 15	Caracas	Fair 29	Faro	Fair 16	Johannesburg	Fair 25	Munich	Shower 6	Tel Aviv	Fair 18
						Karachi	Fair 26	Nairobi	Thunder 25	Tokyo	Cloudy 8
						Kuwait	Sun 18	Naples	Shower 16	Toronto	Fair -4
						L. Angeles	Fair 19	Nassau	Fair 27	Vancouver	Rain 6
						Las Palmas	Cloudy 22	New York	Sun 2	Venice	Rain 9
						Lima	Cloudy 30	Nice	Shower 15	Vienna	Cloudy 4
						Lisbon	Fair 15	Nicosia	Sun 16	Warsaw	Cloudy 3
						London	Cloudy 10	Oslo	Rain 4	Washington	Fair 4
						Lux.bourg	Cloudy 5	Paris	Fair 9	Wellington	Fair 20
						Lyon	Shower 9	Perth	Sun 27	Winnipeg	Fair -11
						Madeira	Fair 18	Prague	Cloudy 4	Zurich	Shower 5

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Week 3

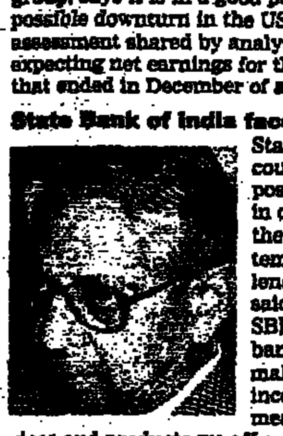
INSIDE

Eureko alliance plans GAN bid

Eureko, the pan-European alliance that links six life assurance companies, intends to bid for GAN, the troubled French state-owned insurer due to be privatised shortly. Analysts are enthusiastic about an acquisition but many are unsure whether GAN is a suitable target, suggesting Eureko may be unable to reform the French insurer's weak management. Page 16

Wall Street upbeat about Ingersoll
Ingersoll-Rand, the diversified US engineering group, says it is in a good position to handle a possible downturn in the US economy – an assessment shared by analysts. Wall Street is expecting net earnings for the financial year that ended in December of about $390m. Page 17

State Bank of India faces a bumpy ride



State Bank of India, the country's biggest bank, posted a 20 per cent fall in operating profits in the six months to September 30. "Margins on lending are falling," said M.S. Verma (left), SBI's chairman. The bank would "have to make up for this with income from fees which means the range of services and products we offer will have to increase". SBI also faces tough competition as India opens its financial markets. Page 18

Spain seeks aid to contain swine fever
Spain is seeking further European Union aid to contain the spread of swine fever, which has led to the slaughtering of more than 800,000 pigs, almost 5 per cent of the country's total. Page 22

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 22

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
[illegible]	214	+	19
[illegible]	140	+	14.5
Thyssen Ind	347	+	22
Falls			
[illegible]	52.2	–	2.8
[illegible]	70	–	5
[illegible]	130	–	6

NEW YORK ($)			
Rises			
Cons Cigar	28⅞	+	2⅞
Micron Tech	31⅞	+	3¼
Univision Com	39½	+	3½
Falls			
Cntrl Vermont	13⅞	–	1
Fair Isaac	38⅞	–	2⅞
Waterlink	14¾	–	1½

LONDON (Pence)			
Rises			
Bespak	780	+	40
Domnick Elec	122½	+	17
Quality S/ware	280	+	36
Falls			
Boosey & Hawks	725½	–	82½
Boots	847	–	56
Wolseley	460	–	41

TORONTO (C$)			
Rises			
Gulfstream	5.8	+	1.1
Pan Am Silver	13.0	+	1.4
West Copper	5.75	+	1.05
Falls			
Bell Inds	2.8	–	0.48
Mosaid Tech	8.5	–	3.4
Nord Pacific	5.2	–	0.48

PARIS (FFr)			
Rises			
Ad Capital	180	+	62
Air France	196.5	+	17
Beauloir	83.5	+	8.3
Falls			
GTMH	60	–	7.9
Saga	190.6	–	29.4
Sole (Le)	200	–	34.9

TOKYO (Yen)			
Rises			
Citizen Watch	870	+	36
Hattori Seiko	450	+	29
Taisho Pharm	3050	+	240
Falls			
Daiwa House	738	–	31
Komatsu	499	–	49
Tokyo Style	1140	–	110

HONG KONG (HK$)			
Rises			
CLP Hldgs	39.2	+	4.4
Cheung Kong	36.1	+	2.5
Citic Pacific	21.9	+	1.9
Hang Seng Bk	62.5	+	3.75
Hutch Whamp	39.0	+	3.0
Falls			
Cross Har Tun	10.85	–	1.05

BANGKOK (Baht)			
Rises			
Siam Sport	40.0	+	9.0
Tipco	15.75	+	3.6
Union Footwr	16.25	+	3.5
Falls			
Mandarin Htl	9.0	–	3.0
Sansiri	6.4	–	3.6
TCJ Motor	63.0	–	27.0

New York and Toronto prices at 12.30pm.

Guinness chief to join ICI board

Heir apparent O'Neill set to lead global expansion into consumer-led markets

By Roger Taylor in London

The man who fostered the spread of Irish pubs around the world was chosen yesterday as the likely future chief executive of Imperial Chemical Industries, the UK's largest chemicals group.

The appointment of Brendan O'Neill, chief executive of the Guinness brewing business, reflected the ambitions of ICI, one of Europe's leading speciality chemical groups, to expand globally in consumer-led markets such as paints.

Mr O'Neil achieved enviable profits growth at Guinness brewing by opening up markets from China to Iceland. He will join the ICI board in May as chief operating officer reporting to Mr Miller Smith, the current chief executive. He is expected to take the reins when Mr Miller Smith succeeds Sir Ronald Hampel as chairman in April 1999.

Mr O'Neill is best known for his success in cultivating the spread of Irish bars around the world, including such improbable places as Shanghai, Reykjavik, Dubai and Uzbekistan.

A total of 1,500 new bars has been set up with Guinness's help in the four years Mr O'Neill has headed the company, helping to achieve a 25 per cent increase in profits.

Investors welcomed Mr O'Neill's appointment, saying it fitted ICI's strategy of moving towards more consumer-oriented markets. Michael Eastwood, industry analyst at Dresdner Kleinwort Benson, said the decision was "absolutely the right direction to be going in. One can only applaud". ICI shares rose 9p to 934p.

ICI is still completing a radical restructuring begun last year with the acquisition of Unilever's speciality chemicals businesses. The company is changing its focus to Dulux paints and speciality products such as food ingredients. It has not finished selling off its industrial divisions.

Mr Miller Smith, who has been running ICI for four years, emphasised that he had no plans to reduce his involvement in the company.

He said that there had been no decision on how or when executive responsibility would be handed over to Mr O'Neill, adding that it depended on his performance.

Mr O'Neill is changing jobs months after the merger of the Guinness group with Grand Metropolitan to form Diageo. Analysts said the merger had reduced his chances of getting the top job where he was, but Mr O'Neill denied that this had been a factor in his decision to move. He will be replaced by his deputy Colin Storm, 59, who joined Guinness as an under-brewer in 1961.

ICI also announced yesterday that John McAdam, chief executive of Quest International, the ICI subsidiary, would take over as head of the paints division following the departure of Peter Kirby. Paul Drechsler, an executive vice-president at ICI, will take over as chairman and chief executive of Quest.

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London stocks, Page 52

Sony close to signing European labels deal

By Alice Rawsthorn in London

Sony Music Europe is in advanced negotiations to acquire substantial shareholdings in Yo Mama, one of Germany's most promising independent record companies, and Double T, a Belgian independent label.

The proposed deals would mark Sony's first attempt to repeat its UK investment strategy in continental Europe.

The deals are modelled on Sony's agreement with Creation Records, the London-based label behind Oasis, one of the most successful rock groups of the 1990s.

Sony Music, part of the Japanese electronics and entertainment group, acquired 49 per cent of Creation and the distribution rights to its acts outside the UK for £2.5m ($4m) in 1992. It paid another £14m in 1996 to extend the arrangement for five years.

After the Creation deal, Sony negotiated similar accords with other UK independent labels including Nude, Suede's record company, and Independiente, which signed Paul Weller last year.

Sony concluded a similar transaction yesterday with the parent company of Skint and Loaded, the fast-growing Brighton-based dance labels behind the bands, Lo-Fidelity Allstars and Fatboy Slim.

Such agreements offer an opportunity for Sony to invest in independent labels, which have historically been better at identifying and nurturing new talent. K's Choice, a brother-and-sister duo signed to Double T, already sells well in the US.

For their part, the independent labels can secure the capital they need to survive in an increasingly competitive market while continuing to operate autonomously in their own countries.

Sony can take its pick of their acts for other markets, and stands to make significant profits if they are successful. Its share of the profits from Oasis's three albums, which have sold 25m copies worldwide, is estimated at more than $50m.

Last year, Sony established Sine (Sony Music Independent Network Europe) as a division to liaise with the independent labels in Europe. Their music is distributed through existing Sony labels such as Epic or Columbia in the US.

Credit agency accepts criticisms over Asia

By Edward Luce

Fitch IBCA, Europe's largest credit rating agency, yesterday admitted that it and its larger rivals Standard & Poor's and Moody's Investors Service of the US had largely failed to predict the recent turmoil in Asia.

The admission, accompanied by an attack on the International Monetary Fund for its allegedly poor forecasting record in Asia, followed widespread criticism of the three big agencies over their handling of the Asian upheavals.

The agencies came in for particularly fierce criticism for their treatment of South Korea. The country was rated at the same level as Italy and Sweden as recently as last October but has since been downgraded to junk bond status.

"There were no early warnings about Korea from us or, to the best of our knowledge, from other market participants," said Fitch IBCA.

In contrast, both S&P's and Moody's have sought to defend their recent record in Asia.

Fitch IBCA, the product of a merger last year between London-based IBCA and Fitch Investors Service, the New York-based agency, admitted the moves to downgrade Korea were "the most dramatic instances of sovereign rating downgrades in the history of sovereign ratings".

The agency added: "Although the facts [regarding Korea] did change, and therefore did justify some downgrading, the extent of the rating action is too significant to attribute solely to changed circumstances."

The agency said it and its competitors had underestimated the spread of "market contagion" in Asia. It had also failed to appreciate fully the impact that high levels of external private sector debt would have on the creditworthiness of sovereign borrowers.

In addition, both the agencies and the IMF had understated the impact that high levels of short-term debt could have on the official reserves of South Korea and other Asian economies. Fitch IBCA said it had now taken this on board, but claimed the IMF persisted in what it called this "incorrect practice".

In the case of Korea, Fitch IBCA said it had been lulled into a false sense of security by the fact that the country had a low overall debt burden.

"We used to think that a high proportion of short term debt was a worry only with highly indebted sovereigns," said the agency. "We were wrong."

Fitch IBCA and its competitors had also placed too much faith in the capabilities of *Asian governments to take* sensible decisions, it said.

"We over-estimated the sophistication of Asian policymakers, who have proved good fair weather navigators but very poor sailors in a storm."

The role of the ratings agencies is critical because many leading US and European investors are debarred from investing in countries or companies that are not given agency investment grade ratings.

This gives the credit rating agencies a disproportionate influence, say critics.

CBS in $4bn football deal

Network buys right to screen NFL games for eight seasons

By Christopher Parkes in Los Angeles

CBS has made a costly attempt to revive its viewer ratings with a record $4bn deal to televise National Football League games over the next eight seasons.

The price of $500m a year for the American Football Conference competition was more than double the $217m paid by NBC, the leading broadcaster, for its expiring four-year contract.

The loss of the rights marks the second recent setback to General Electric's NBC, the top-rated network, which is expected to lose share when its top-rated Seinfeld situation comedy ceases production at the end of this season.

Together with a $4.4bn agreement under which Fox, the News Corp subsidiary, retains rights to broadcast the National Football Conference package, the CBS offer set the scene for the National Football League to earn as much as $15bn from its auction of TV rights.

The league also has an option to negotiate even higher prices after five years. Still to be settled are the prices for cable TV and the popular Monday night games, shown on Walt Disney's ABC.

CBS shares had risen more than 4 per cent to 28\frac{11}{16}$ by mid-morning yesterday, reflecting investors' optimism that the deal would help the network improve on its current third place in the rankings.

It suffered a severe blow four years ago when Fox snatched its NFC rights in a move which helped establish the then fledgling network as serious competition for the long-established "big three" – NBC, ABC and CBS.

The return of football to its schedules will help CBS, which has a core audience among older viewers, win back the 18-to-49 age male audience popular with advertisers.

Mel Karmazin, chairman and chief executive, claimed the return of football – it broadcast the NFC package from 1970 until 1993 – would greatly strengthen the network. "The NFL provides significant incremental advertising revenue from the valuable younger, urban male demographic where CBS formerly had its weakest ratings," he said.

To offset its loss of the AFC rights, NBC was expected to step up its bid to buy the Monday night rights. This is likely to be difficult – or pricey – to win, since ABC's contract, held since the games started in 1970, allows it to match any other network's offer. ABC would not comment, but an announcement is expected within days.

The spectacular prices highlight the ferocity of the competition among the networks, which are are steadily losing viewers to cable and satellite operators. Despite this they remain popular with mass-market advertisers because they are the only TV providers with national audiences, and offer the lowest rates in terms of viewers reached.

Although profits from the football broadcasts alone will be difficult to attain, the expected ratings benefits should enable CBS to increase its overall advertising rates.

Lex, Page 14

Popular viewing: Terrell Davis of the Denver Broncos Allsport

CWC to reduce debt by $1.5bn bond buy-back

Annual savings may reach $65m

By Simon Davies, Capital Markets Editor

Cable & Wireless Communications is preparing to buy back $1.5bn of junk bonds in the US before selling up to $2.8bn of investment grade bonds in a move which could save it $65m a year in interest costs.

CWC was formed last year through the merger of Cable & Wireless's domestic UK telecommunications business with three UK cable television companies, Nynex CableComms, Bell Cablemedia and Videotron.

The cable companies had issued junk bonds to finance construction of their digital networks and the coupon on these bonds amounts to between 11 and 12 per cent compared with a yield on US Treasury bonds of less than 6 per cent.

CWC is therefore making use of its larger balance sheet to buy in these high yield bonds. It will then refinance through an issue of $2bn of bonds in the US market and between £250m ($405m) and £500m of Euro Sterling bonds sold out of London.

Nicholas Mearing-Smith, CWC's finance director, said: "Following the merger, we have an investment grade rating which will enable us to fund a programme with lower cost of debt, increase flexibility and give us a more efficiently structured balance sheet."

The junk bonds were also saddled with onerous covenants which made it harder for CWC to restructure the business.

The bonds will have maturities of between eight and 12 years, and the average funding costs, after swapping the dollar bonds into sterling, will be about 8 per cent. "The bond markets look very healthy at the moment," said Mr Mearing-Smith.

The interest savings will be material for a group which is projected to make pre-tax profits of just under £150m in the year to March 1998.

However, CWC will have to buy the junk bonds back at around current market values, and the bond prices have rallied strongly since it was formed.

The group wrote £279m off its balance sheet to cover the likely cost of refinancing its existing debt and to reflect the likely premium it will have to pay to buy in the bonds.

The deal comes at a time when there has been a significant pick up in corporate bond issuance. International and Euro bond issues were nearly 20 per cent higher in value terms by last weekend, according to Capital Data.

Mr Mearing-Smith said that CWC had limited the size of the Euro Sterling offering to £500m, because he felt that the European appetite for corporate bonds was still limited, by comparison with the US.

The bond issues will be handled by Merrill Lynch and HSBC, while Toronto Dominion is leading the tender for buying in the existing high yield bonds.

Rivals speculate about DMG's plans

By Clay Harris, William Lewis and Jane Martinson

Deutsche Bank's plan to reorganise its investment banking and asset management operations prompted executives at rival institutions to suggest yesterday that the German bank was setting the stage for a big deal in the sector.

The bank's plan to combine Deutsche Morgan Grenfell with its commercial banking business emerged this week. Deutsche Bank hopes to announce the shake-up, which has not been finalised, before it reports annual results in March.

Disclosure of the plans followed DMG's decision not to press ahead with talks to acquire Barr Devlin Associates, a New York investment bank which was bought this week by Société Générale of France.

With evidence that Deutsche is eschewing small "bolt-on" acquisitions, competitors suggested that the re-organisation is partly intended to prepare for a big merger. One possible candidate is said to be J. P. Morgan, which has already put in place the wholesale banking model which Deutsche intends to emulate.

J. P. Morgan is known to have examined the possibility of a link with Deutsche but is thought to have concluded that the integration risks made a deal unattractive. The US bank was more likely to conclude an acquisition of a fund manager, insurer or specialist equity house, sources said.

As the DMG board met in London yesterday, the future for its seven business heads of DMG, who report to Michael Dobson, is far from clear. Mr Dobson is expected to step down as chief executive to take responsibility for Deutsche's asset management businesses. He would not be replaced in London.

Reporting lines, areas of responsibility and business priorities are all to be worked out. Carter McClelland and Maurice Thompson are co-heads of investment banking, overseeing corporate finance and equity capital markets.

Edson Mitchell heads global markets; Michael Philipp equities; Robert Smith institutional asset management; Rick Haller is responsible for proprietary trading, which includes emerging markets.

Morgan Grenfell Asset Management reassured clients that proposed changes would be limited and beneficial. It manages £91bn ($147bn) in assets. Deutsche plans to combine it with DWS, its German mutual fund group.

Unlike the investment bank, the UK asset management business will keep the Morgan Grenfell name.

MGAM and DWS, which manages about DM125bn ($69bn), have already co-operated on issues such as information technology.

BCH completes Endesa link-up

By Tom Burns in Madrid

Banco Central Hispano, the big Spanish bank, is close to completing a long-delayed industrial agreement with Endesa, the main domestic power group, covering joint investment in the telecommunications and energy sectors.

The bank said yesterday the tie-up aimed to take advantage of new business areas that have been created by the government's deregulation drive. It will focus on Retevisión, the recently launched second telephony operator, and on the development of rival gas services by Cepsa, the energy group linked to BCH.

Negotiations over the alliance have now entered a final stage following renewed investment by BCH in Endesa which has lifted its stake in the power group from 2.5 per cent, declared at the end of October, to 3 per cent. Over the past 18 months, BCH is estimated to have spent Pta65bn ($424.8m) buying Endesa equity.

When the wide-ranging agreement was first announced in summer 1995, BCH said it would acquire 3 per cent of Endesa in order to cement the alliance. However, the purchase was delayed because of pressure on the bank's profits.

In the intervening period the government has lowered its equity in Endesa to 42 per cent, which it plans to sell over the next 12 months. The power group has, meanwhile, made significant investments in Latin America, where it bought control of Enersis, the Chilean utility, last year. It has also entered the telecoms sector as a main shareholder of Retevisión.

The purchase of Endesa shares gives BCH a seat on the power group's board and underlines the recovery of the bank's earnings. Its profits increase for 1997 is forecast to be in line with the 25.2 per cent rise in net attributable income, to Pta34.1bn, for the third quarter of last year.

BCH's return to profitability has been aided by its sale of non-core assets to concentrate its industrial portfolio on the telecoms and fuel sectors. The bank now plans to buy up to 15 per cent of Retevisión, in which Endesa and Telecom Italia jointly own 43 per cent.

The purchase of Retevisión equity is likely to take place in the first half of this year, when the government offers its remaining 30 per cent stake to industrial buyers.

In a subsequent development, Retevisión is expected to establish a close association with Airtel, a mobile company which also competes with Telefónica and has both Endesa and BCH as significant shareholders.

In a parallel arrangement, BCH and Endesa will co-operate closely in Cepsa, controlled by BCH and Elf-Acquitaine of France, to develop the distribution of natural gas after the deregulation of the fuel sector.

Cyberspace and the Eureko moment

The restructuring of Europe's insurance market need not take place behind closed doors: powerful alliances can be forged in cyberspace.

When Fred Cotton, former boss of Friends Provident, the UK-based mutual life assurance company, exchanged electronic mail with Gijs Swalef, his counterpart at Achmea in the Netherlands, he could not have imagined the repercussions.

Out of that initial contact was born Eureko, a pan-European alliance that linked Friends Provident with Dutch, Swedish and Danish insurance interests, all among the biggest in their respective domestic markets.

Eureko, held together by an intricate web of cross-shareholdings, is one of only a few companies that can truly claim European ownership. Achmea has 33 per cent and Friends Provident 21.1 per cent. Other members are Portugal's BCP, Germany's Parion, Topdanmark in Denmark, and Wasa of Sweden.

The six-way alliance was created to exploit the cross-border opportunities offered by a single market. The companies service each other's commercial clients and are making tentative steps into other countries – the partnership is likely to expand into France and Switzerland.

"Everybody believes the single currency is going to happen and it will have a big effect on financial products," says Jeff Medlock, Eureko managing director. "Cross-border sales will increase and the management of investment funds will be brought together. Insurers will have to become more efficient."

For the past five years, Eureko has preferred to draw new members into the network rather than acquire companies outright. In this way, the shareholders have stakes in a broad international portfolio but keep exclusive access to their home markets. The mutuals which formed Eureko had previously been struggling to maintain their international presence.

Now the group is having to rethink. Although Eureko boasts it is the seventh largest insurer in Europe, the holding company cannot pretend to have full use of the capital backing its investors. Analysts say co-operation has not extended beyond sharing skills, and some view the alliance as a defensive step against possible takeover bids.

There are also signs that the commitment of some members could be wavering. In November, Topdanmark reduced its stake from 6.9 per cent to 3.5 per cent.

For it to compete successfully as competition in Europe intensifies, Eureko will need to be bigger.

"The concept of Eureko was that insurance companies were best in their home markets. There were synergies from operating on a large scale, but you had to build up trust in your customers. You could lose what you gained at home by expanding abroad. Now we have to move forward, develop along a more commercial route. The partners want to get to the stage where we're a listed company," says Mr Medlock.

A stock market quotation would give access to the capital markets and remove regulatory constraints on capital. It would also allow the group to pay dividends to its shareholders. But persuading institutional investors of a convincing business case could be difficult.

On its own, Eureko would be valued only on the basis of its shareholdings in other insurers, several mutually owned and unlisted.

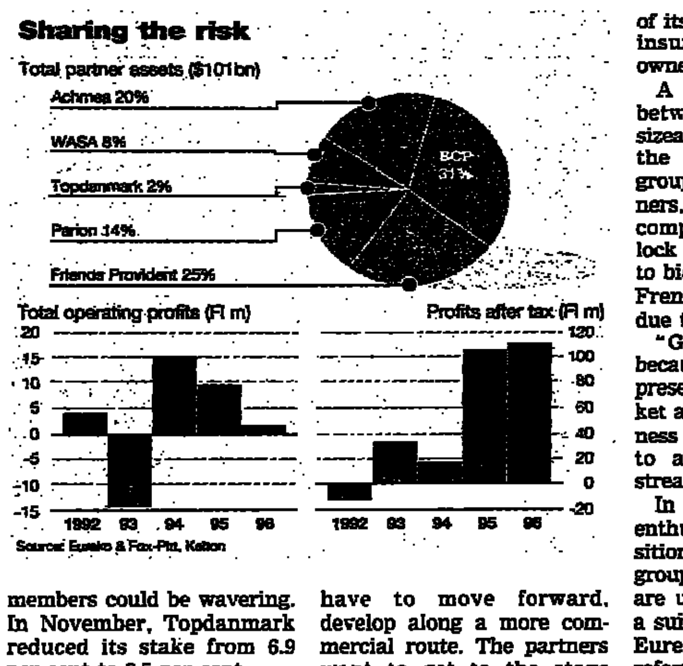
A full-blown merger between shareholders or a sizeable acquisition could be the answer. But with the group recruiting more partners, a merger would be very complex. Instead, Mr Medlock says the group intends to bid for GAN, the troubled French state-owned insurer due to be privatised shortly.

"GAN is attractive because it would give us a presence in the French market and the bulk of our business activities would switch to a wholly-owned profit stream."

In principle, analysts are enthusiastic about an acquisition – it would give the group credibility. But many are unsure whether GAN is a suitable target, suggesting Eureko may be unable to reform the French insurer's weak management. They are also sceptical that it would be able to raise the funds.

Mr Medlock declines to say how much Eureko would be prepared to pay or how it would fund the acquisition. Attempting to buy GAN is a bold step and success in the auction may bring rich rewards. Failure would be a huge setback.

Christopher Adams



Schimmelbusch back on German scene

By Andrew Fisher in Frankfurt

Heinz Schimmelbusch, chairman of Metallgesellschaft when the industrial and trading group nearly collapsed in 1994 under heavy oil trading losses, has re-entered the German business scene as director of a US private equity fund which yesterday announced its first investment.

Mr Schimmelbusch is a managing director of Safeguard International Fund, which plans to invest in European and North American companies in industries such as chemicals, metals, advanced materials, energy and environmental technology.

Backed by several US institutions, the fund has equity capital of $250m and expects to reach $400m this spring. It has just acquired a controlling stake in ALD Vacuum Technologies, a Germany company with sales of DM150m ($82.5m). It intends to become full owner by 1999. Mr Schimmelbusch's appearance in Frankfurt to announce the deal was the first time he had faced the press since the oil futures debacle and his dismissal as chairman and a DM3.4bn rescue operation led by Deutsche Bank.

He declined to talk about Metallgesellschaft, which will soon resume dividend payments. Mr Schimmelbusch, 53, reached an out-of-court settlement with the company last year after a bitter legal dispute.

"I am not here to speak about the past but about the future," he said yesterday. The fund – formed by Pennsylvania-based Safeguard Scientifics, listed on the New York Stock Exchange – aimed to acquire up to 10 companies in the next few years, mainly in Germany, he said.

Heinz Schimmelbusch: focusing firmly on the future

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Generali deadline for AGF bid passes

By Andrew Jack in Paris

The three-month deadline for regulatory approval of the hostile bid launched by the Italian insurer Generali for AGF of France expired yesterday with no announcement from the authorities.

Generali announced a FFr55bn ($9bn) bid for AGF on October 14, and the French government came under criticism for failing to approve the bid swiftly, giving time for AGF to find an alternative "white knight" offer from Allianz.

Dominique Strauss-Kahn, economics, finance and industry minister, argued that it was the technical complexity of the deal rather than politics or favouritism towards a rival takeover that explained the delay.

The French government stressed last night that the original three-month deadline no longer made any sense, given that Generali had since withdrawn its bid and agreed instead with Allianz to acquire some of AGF's French subsidiaries and to launch a takeover of AMB of Germany.

The French government is examining the details of the revised offer before it makes a formal decision on the Allianz bid.

An alternative hostile takeover could still be launched for AGF in the meantime.

One of the issues being finalised is the control of Coface, the French trade insurer, which was 57 per cent owned by AGF. Given its role in providing some high-risk, French government-backed export credit cover Mr Strauss-Kahn indicated that he did not want it to fall into foreign hands.

Under a deal due to be announced within the next few weeks, AGF will cut its shareholding to 24 per cent, with Scor, the quoted Paris-based reinsurance group, raising its participation from 20 per cent to 40 per cent.

The reinsurer SAFR will also raise its stake.

Crédit Agricole, the French mutualist bank, is likely to take a stake of 8 per cent, and the Natexis banking group will also raise its investment in Coface to about 23 per cent.

Axa-UAP, the rival Paris-based insurance group which had expressed an interest in taking control of Coface, will not be included in the deal, according to executives at Coface.

AGF is believed to have opposed to the involvement of Axa, which has long had links with Generali.

EFG backs launch of Japan hedge fund

By Jonathan Ford

The first new Japanese hedge fund for more than two years is being launched by a former ING Barings fund manager to meet investor demand for exposure to the Tokyo market.

Alex Balfour, who managed a Japanese equity fund while at Barings, is launching the Furinkazan Fund with backing from EFG, the private bank controlled by the Latsis family of Greece.

The fund, which is expected to start trading in March with assets of around $50m, will invest in Japanese equities. Hedge funds are limited partnerships, mainly for rich individuals, which have considerable flexibility in making investments, including the ability to borrow.

Analysts said the fund had attracted considerable interest. "It fills a gap in the market," said Nicola Meaden, chief executive of Tass, a hedge fund research company. "There are very few hedge funds specialising in Japanese equities."

Hedge fund managers said the Asian crisis had made investors wary of investing in highly illiquid regional markets and more interested in Japan.

"Investors who want to stay in Asia see Japan and Hong Kong as relatively liquid markets where they can still operate," said Henry Lee, manager of the Hong Kong-based Hendale Fund.

Asian hedge funds performed well last year. Tass has estimated that the 27 Asia-dedicated funds it tracks returned 4.5 per cent in the 11 months to November against a 27.75 per cent fall in the MSCI Asia index measured in dollar terms.

One reason has been the ability of hedge funds to go short – sell stock they do not own in the hope that the price will fall in value.

While the illiquidity of other Asian markets has made hedging expensive, the cost of stock borrowing in Japan is less than in Europe. Low yields on Japanese shares have made pension funds keen to maximise income from equity.

Mr Balfour said the attraction of the fund was not investor expectation of an imminent turnround in Asia. "People who are concerned the US bull market is coming to an end are looking for alternative investment strategies."

EUROPEAN NEWS DIGEST

Novartis to cut 35 drugs plants

Novartis will have shut or sold 35 of its 82 pharmaceuticals plants when it completes its rationalisation following its creation from the 1996 merger of Ciba and Sandoz, Switzerland's second and third biggest drug companies. Novartis confirmed yesterday it was reducing its pharmaceuticals plants from 52 to 20 and the number of plants which produce chemicals for its drugs from 10 to 7. The biggest cuts will be in North America, where the number of plants will fall from eight to two, and in Asia Pacific, where they drop from 19 to six. In Europe, Novartis will continue to operate six chemicals plants, but the number of drug plants will be cut from 14 to nine. In Latin America, the number of plants will be cut from 11 to three. *William Hall, Zurich*

■ TELECOMMUNICATIONS

Telekom in row on payments cover

Deutsche Telekom yesterday accused its two biggest competitors in Germany of being the only operators to have refused to cover payments it charges subscribers switching from its network to those of rivals. However, Mannesmann, one of the two, denied the company had blocked an agreement, saying Deutsche Telekom broke off negotiations in December after demanding exorbitant charges. O.tel.o, the telecoms joint venture between RWE and Veba, was also criticised by Deutsche Telekom.

It said all telecoms operators in Germany agreed to pay the charges levied by Deutsche Telekom when subscribers make long-distance calls on the networks of rival operators as part of an interconnection agreement with the former state monopoly. Talkline, one of the private operators Deutsche Telekom said had agreed to pay the charges, denied a definite agreement had been reached on the level of the charges. "There should not be any charge for the subscriber," it said, but added: "We want a solution common to all operators and we do not want to let ourselves be divided." A decision on the switching fees dispute is expected next month. *AFX News, Bonn*

■ GERMANY

Aker to buy MTW shipyard

Aker RGI, the Norwegian industrial holding company, is to pay DM85m ($47m) for Meeres Technik Wismar (MTW), eastern Germany's biggest shipyard, from the state of Mecklenburg-Pommerania and the BVS, the German federal government's privatisation agency. The sale, which follows a bidding process, represents the culmination of a state-backed rescue of east Germany's shipyards following the collapse in 1996 of the Bremer Vulkan group which bought MTW in 1992.

Aker RGI, controlled by the Norwegian entrepreneur Kjell-Inge Rokke, is acquiring MTW in concert with Aker Maritime, the quoted offshore engineering company in which it holds a 75 per cent stake. Aker Maritime, which is to manage MTW, said it had partly financed the acquisition but no financial details were disclosed. The acquisition bolsters Aker Maritime's move into commercial shipbuilding, launched by the FM95m (now $17m) purchase of a 60 per cent stake in Finnyards of Finland last August.

Otto Soberg, Aker Maritime executive vice-president, said the deal would provide additional capacity for the construction of offshore vessels.

Greg McIvor, Stockholm and Frederick Stüdemann, Berlin

■ AUSTRIA

Asian turmoil hits VA Tech

VA Technologie, Austria's biggest engineering company, warned yesterday that its 1998 order intake would be cut because of the Asian financial crisis. Construction of a plant for South Korea's Hanbo Steel had been put on hold; an order for a Malaysian steel works had been cancelled; and a contract for an Indonesian power plant had been delayed. During the past three years an average 20 per cent of the group's orders have come from Asia. One third of this share has come from countries hit by currency devaluations, most notably Indonesia, Malaysia, Thailand and the Philippines. VA Tech, which had forecast double-digit profits growth in 1997, said the Asian crisis would have no impact on its 1997 results but would mean that its Asian order intake in 1998 was reduced. It plans to intensify marketing efforts in Europe and North America. *William Hall, Zurich*

■ ITALY

Olivetti to extend share capital

Olivetti, the Italian information technology group, said last night it would push ahead with plans for an increase in share capital from January 19, aiming to raise some L670bn ($374m) to strengthen its financial position.

It said the share offer would be aimed at funding its telephony and information technology businesses. The issue is reserved for the holders of Olivetti common, preferred and savings shares and for the holders of Olivetti 7.50 per cent 1993-1999 bonds convertible into common shares. The operation will be underwritten by Banca Commerciale Italiana, Deutsche Morgan Grenfell and Lehman Brothers International acting as joint global co-ordinators, through an underwriting syndicate which includes other Italian and international banks as well as Cir and Mannesmann of Germany. *James Blitz, Rome*

■ SWEDEN

Stena upgrades profit forecast

Stena Line, the Swedish ferry operator, yesterday revised its 1997 full-year profits forecast up from SKr50m to SKr150m ($18m). The company – which made a SKr444m loss in 1996 – said earnings had been helped by the early departure of some UK staff ahead of the merger of Stena's English Channel ferry services with those of P&O. Stena also said average revenue in November and December had been higher than expected. Bo Lerenius, chief executive, said operations were close to break-even, excluding capital gains. He pledged to press ahead with a SKr350m rationalisation. The shares edged up SKr0.30 to SKr25.50. *Greg McIvor, Stockholm*

Rossignolo pledges management by consensus

By Paul Betts in Rome

Gian Mario Rossignolo, the new Telecom Italia chairman, yesterday made clear he would not be just a figurehead at the top of Italy's largest quoted company.

"I am a very powerful executive chairman," the 67-year-old Piedmontese industrialist insisted. "I have, as you say in the Anglo-Saxon world, hire and fire responsibilities."

However, he added he would lead the recently privatised telecoms group by consensus, in the same spirit of the Swedish Wallenberg group of which he has been a part for the past 15 years.

Given the power struggle over corporate governance which erupted at Telecom Italia shortly after its flotation three months ago, Mr Rossignolo was anxious to send the company's 1.5m shareholders the message that he would run it as a modern company.

"I can't speak today of strategic issues since I have only been here for a few hours and I have spent my life so far in different industrial sectors," he said, referring to his 22 years with the Fiat automotive group and his subsequent career in the Wallenberg empire. But he was adamant that his biggest challenge was to bring about change in the corporate culture of the traditional state-sector monopoly.

The struggle between Guido Rossi, the former chairman who sought to shake up corporate governance at the company, and the management led by Tomaso Tommasi di Vignano, chief executive, badly dented Telecom Italia's credibility. Mr Rossi left after failing to push through his reforms and the new private shareholders were left wondering whether they had simply invested in the old monopoly dressed up as a public company.

The task of finding a credible manager to replace Mr Rossi became urgent. "I was contacted on Christmas Eve," Mr Rossignolo revealed yesterday. He accepted the challenge after being guaranteed strong executive powers.

While he spoke only in the broadest terms of his plans to change the company's corporate culture, he insisted it would have to become totally transparent, communicating quickly and fairly.

For this reason, Mr Rossignolo is assuming control of communications, and heading a new audit and corporate governance committee as well as a strategic committee. These will help provide the necessary checks and balances on the company's management.

With his longstanding friendship with Umberto Agnelli, chairman of Ifil, the Fiat Agnelli family industrial holding company, Mr Rossignolo's appointment is seen as increasing the Agnelli influence at Telecom Italia. Ifil is one of the stable shareholders of the privatised group, along with Italian groups such as the Turin-based San Paolo bank, and the IMI investment bank chaired by Luigi Arcuti, another Piedmontese. The company has also chosen Turin as its headquarters.

Was this a Piedmontese takeover of Telecom Italia? "Absolute rubbish," retorted Mr Rossignolo. "We've also got Americans on the board." As he spoke, it was difficult not to notice the fine Bulgari wristwatch strapped on top of his left cuff – a sartorial trademark of the Agnellis.

Eye for detail puts Ingersoll in shape

Engineering group praised for focus on growth areas

Beer-drinking, golfing, do-it-yourself enthusiasts keen on fuel-efficient cars and architectural adornments are precisely the people James Perrella is keen to encourage.

As chairman and chief executive of Ingersoll-Rand, the diversified US engineering group, Mr Perrella presides over a business making a vast range of products which has nevertheless won praise from Wall Street for focusing on areas with growth potential.

Since 1995, Ingersoll, based in New Jersey, has spent $4.5bn on three big acquisitions which have helped it to increase sales by about a third, to a projected $8bn this year, while expanding its international presence.

Mr Perrella, in charge of the company for the past four years, has been fortunate in that his spell at the top has coincided with a healthy period for the US economy. But he is confident that recent changes at Ingersoll in areas such as quality and productivity have put it in good shape for the next century.

"If there is a downturn, we will be in a better position than most to handle it," says Mr Perrella, who is aiming for annual growth in earnings per share of at least 12-15 per cent until 2000.

This upbeat assessment is broadly shared by stockmarket analysts. The company "has done a magnificent job" in restructuring its business, says John McGinty of Credit Suisse First Boston, while Robert McCarthy of ABN Amro Chicago Corp says Mr Perrella has "brought renewed energy" to Ingersoll, previously considered a rather dull example of an engineering conglomerate.

Wall Street is pencilling in net earnings for the financial year which ended on December 31 1997 of about $390m, some 9 per cent up on the previous year's figure, with a further rise to about $480m in 1998. In 1992, when the company was held back by a weak world economy, net earnings were only just above $100m on sales of less than $4bn.

Ingersoll's recent acquisitions drive started in 1995 with the $1.5bn purchase of Clark Equipment, a maker of off-highway vehicles which is the biggest supplier worldwide of small "skid-steer" loaders used in the construction industry, and one of the two biggest manufacturers of the carts that ferry people around golf courses.

Last year, Ingersoll paid Westinghouse $2.6bn for Thermo King, the world leader in refrigeration systems for trucks, used for keeping cool foodstuffs from dairy products to beer. It also snapped up the UK house fittings company Newman Tonks for $376m, strengthening Ingersoll's architectural hardware division.

Other parts of Ingersoll – split into 28 divisions and with 120 plants, half outside the US – include Torrington, the US's second biggest maker of industrial rolling bearings. With INA of Germany and NTN of Japan, Torrington is among the largest three makers of lightweight "needle" bearings used for improving vehicle fuel efficiency and in precision machinery.

Ingersoll also makes power tools and is the world's second biggest maker, after Atlas Copco of Sweden, of air compressors. The company's huge Blaw-Knox asphalt pavers send shudders down the spines of construction equipment aficionados, while its joint venture with Dresser Industries of the US is the world's sixth biggest pump-maker.

Ingersoll's products and acquisitions are the focus for most external attention, but Mr Perrella reckons that just as important have been internal changes at the company, which have sharpened efforts to swap ideas between divisions, and improved manufacturing and distribution efficiency.

By computerising its vast purchasing operations, in which it buys parts and services worth some $4bn a year, the company last year saved about $50m through special bulk deals. Ingersoll has also set up groups of manufacturing engineers to improve quality and productivity, while smoother production and warehousing operations are providing an extra $150m a year.

This thoughtful approach to internal operations has led to a new stance on plant automation, says Mr Perrella, who has been with the company 35 years. "Automation does not work without simplifying your processes. If you don't simplify first, all you end up with is a fast mess," he says.

As for growth areas, Ingersoll is looking at its first production sites outside the US for skid-steer loaders. The company hopes to increase the $1bn a year sales of Thermo King, particularly in Europe, and is confident of further expansion in Asia, which gives 10 per cent of its sales.

"In spite of the recent problems in Asia we are not at all put off the region for longer-term growth," says Mr Perrella. In the next few years, Ingersoll is likely to increase further the proportion of its revenues it receives from outside the US – a figure which has climbed from 40 per cent five years ago to 45 per cent today – and will remain keen to extend the breadth of its activities. Mr Perrella explained: "We are still on the look-out for acquisitions which make sense and have a good connection with the rest of the business."

Peter Marsh

Banco do Brasil plans disposals

By Geoff Dyer in São Paulo

Banco do Brasil, the state-owned banking group, plans to sell a controlling stake in BB DTVM, the biggest mutual fund manager in Brazil, to a foreign investment management group.

The privatisation of BB DTVM will give a foreign group a 15 per cent share of Brazil's fast-growing mutual fund market and allow it to sell its products through Banco do Brasil's network of 3,000 retail branches, the largest in the country.

Banco do Brasil also plans to sell BB Securities, the international division of its capital markets business which is based in London. The bank will retain a significant minority stake in the businesses.

Paulo César Ximenes, president of Banco do Brasil, said the disposal was not the first step in the privatisation of the bank. Banco do Brasil is one of the few large state-owned companies which the Brazilian government has not put up for sale over the next two years.

However, Mr Ximenes said the two businesses needed greater managerial freedom if they were to compete in their areas. "Being a public bank places a lot of restrictions on management flexibility. This is a particular problem in the capital markets area, which is much more dynamic," he said.

BB DTVM has assets under management of R$20.6bn (US$18.4bn), equivalent to 15.3 per cent of the market, which are divided equally between institutional clients and products sold through the retail network. It has net assets of R$168m.

The move follows rapid growth in the Brazilian mutual fund industry over the past two years after the reduction of inflation to single-digit levels encouraged millions of Brazilians to invest in new savings products. With US$127bn assets under management, the Brazilian mutual fund industry is by far the largest in Latin America.

The industry is also expected to benefit from the proposed reforms to the public social security system, which will encourage greater use of private pensions and other savings schemes.

The prospect has attracted interest from foreign investment managers, with groups such as Fidelity of the US and Schroders from the UK recently opening offices in Brazil. Foreign banks such as Citibank, HSBC and Chase are also trying to expand their assets management operations.

"With the entry of foreigners, it is clear that the level of competition will increase in fund management," said Mr Ximenes. "If we want to maintain our leadership in that area, we need a partner with expertise."

The details of the disposal, which is expected to be completed in six months, have yet to be decided. Banco do Brasil said that there were no legal impediments to selling the businesses and congressional approval was not needed.

Whirlpool to cut 3,200 jobs at Brazilian unit

By Nikki Tait in Chicago

Whirlpool, one of the world's biggest manufacturers of home appliances, expects to cut about 3,200 jobs at its majority-controlled Brazilian appliance operations, or about 25 per cent of its workforce in the country.

The Brazilian subsidiary will take a $44m charge before tax – or about $31m after tax – against its fourth-quarter earnings for 1997 to cover the cost-reduction programme. Whirlpool calculates eventual annual savings of about $45m after tax in Latin America.

Last year, Whirlpool doubled its stake in Brasmotor to a 66 per cent voting position at a cost of $217m. Brasmotor, in turn, controls Multibras Electrodomesticos, the leading Latin American appliance producer, as well as Embraco, which manufactures compressors used in the refrigeration industry worldwide.

Whirlpool said yesterday that, on the basis of its ownership position in Brasmotor, the financial impact of the Brazilian restructuring by itself would amount to about 19 cents a share after tax, while the benefit from the annual cost-savings would be about 26 cents a share.

The Brazilian subsidiary will be consolidated in the US company's results from the fourth quarter of 1997.

The US company added that there had been some "pick-up" in Brazilian business during the final month of 1997, after a weak four months preceding it. However, it said it was projecting industry volumes in 1998 for Brazil similar to those experienced in 1997.

The Latin American restructuring comes on the heels of an even larger revamp of Whirlpool's Asian and European operations, announced in September. At that stage, the US company said it was eliminating about 4,700 positions across these regions and North America, and retrenching from two of its joint ventures in China, in an effort to reduce its cost base generally and stem losses in Asia.

The company said yesterday it expected fourth-quarter and full-year results for 1997 to "exceed last year's figures by roughly 35 per cent".

At mid-session yesterday, Whirlpool's shares were up $3¼, or 6.4 per cent, at $53¾.

Profits climb at Ameritech

By Nikki Tait

Ameritech, the Chicago-based telephone company investing $3.2bn in a 42 per cent stake in Denmark's Tele Danmark, yesterday announced after-tax profits of $2.3bn for 1997, up from $2.13bn the previous year.

The overall result, however, was affected by one-off items including gains on asset sales and a charge to settle lawsuits related to its inside wire maintenance services.

Ameritech calculated that "underlying" earnings rose by 10.9 per cent to $2.35bn, compared with $2.12bn in 1996. Earnings per share, also before one-off items, increased 12 per cent to $2.14.

The company said that in the fourth quarter alone, profits were 10.5 per cent higher at $610m, with earnings per share rising 12 per cent to 56 cents.

Ameritech shares gained $1⁵⁄₁₆ to $83¹⁄₁₆ on the news.

The fourth-quarter figures were scored on revenues of $4.15bn, up about 6.8 per cent on a year earlier. Operating expenses grew more sharply, by 8 per cent to $3.26bn.

For the full year, total revenues advanced 7.2 per cent to just under $16bn, while operating expenses increased 6.9 per cent to $12.2bn.

Richard Notebaert, Ameritech chairman, said that helped by recent expansion in the security and cable TV industries and by its European investments, the company expected "continued strong results in 1998 and beyond".

AMERICAS NEWS DIGEST

International Paper in profit

International Paper, suffering the impact of Asia's economic woes and the devaluation of the Korean won, yesterday reported net profits of $132m for the fourth quarter. The results were a sharp turnround from net losses of $5m a year earlier, but largely because the figures were distorted by special items.

Excluding these, the US paper products company would have earned $115m after tax, or 38 cents a share, compared with $100m, or 33 cents, a year earlier. That was in spite of an upturn in prices for printing papers and the company's heavy cost-cutting.

"Overall market conditions were disappointing for most of 1997," said John Dillon, chairman and chief executive, adding that price decreases in the company's main product lines had outweighed the cost-cutting efforts.

Richard Tomkins, New York

■ MEXICO

ELM raises stake in Seminis

Empresas La Moderna, the Mexican seed producer and packaging company, has raised its stake in its California-based subsidiary Seminis to 92 per cent from 62 per cent, paying $284m. ELM said the move was aimed at strengthening its grip on the agrobiotechnology business. Seminis develops of fruit and vegetable seeds.

ELM purchased 8 per cent of Seminis directly from shareholders and acquired the rest via tender offer. Seminis sales provided 42 per cent of ELM's consolidated revenues in the third quarter.

ELM's move followed a setback last week when the US Justice Department filed criminal charges against a subsidiary, DNA Plant Technology, accusing it of conspiring to export genetically engineered seeds capable of yielding illegal high-nicotine tobacco. *Henry Tricks, Mexico City*

■ PUBLISHING

Thomson buys CLR

Thomson, the Canadian special information and publishing group, has acquired Computer Language Research, the US tax preparation software provider, for about US$325m in cash. Analysts said the acquisition would enhance the strengths of Research Institute of America, the Thomson division providing information-based solutions for tax, accounting and corporate finance. Thomson's per share offer for Computer Language Research was worth 64 per cent more than the company's closing price on Nasdaq. The US company posted revenues of $179m in 1996. *Scott Morrison, Toronto*

Sidek suspends shares

By Henry Tricks in Mexico City

Sidek, Mexico's troubled tourism and real estate conglomerate, suspended trading of bonds and shares on the Mexican Stock Exchange and the US Nasdaq market yesterday, pending its announcement of a plan to restructure $2bn of debt.

Two years after it defaulted during Mexico's peso crisis, Sidek was due to present a restructuring plan yesterday that executives have said would involve the liquidation of $1.3bn of assets.

Sidek declined to issue details of the deal, which must be approved by 95 per cent of creditors. It also requested a halt to share and debt trading of its tourism subsidiary Situr.

It stopped trading "to give time to the investor public to assimilate the restructuring plan", the company said.

Luis Rebollar, Sidek chief executive, said in December the plan involved selling Sidek and Situr assets over five years, and putting the proceeds into a trust. Creditors will also be asked to surrender some $1.95bn of debt securities in exchange for participation certificates in the trust.

According to Mr Rebollar, Mexican creditors who hold about $1.5bn of debt have mostly backed the plan. Foreign bondholders are more opposed, however, because their debt is mostly unsecured and last in line for repayment.

Sidek, based in Guadalajara, was the first big company to default during Mexico's economic crisis.

Bankers say failed HK group had leading position in the country's commercial paper market

Peregrine big in Indonesia new issues

By Sander Thoenes and Peter Montagnon in Jakarta

Peregrine, the Hong Kong investment bank, built up a leading position in Indonesia's commercial paper market before it filed for liquidation on Monday and may have held large amounts of debt on its own books, according to bankers in Jakarta.

They estimated that about a quarter of last year's \$16bn-\$20bn new-issue volume was handled by the Hong Kong bank, which had been aggressively trying to promote the development of fixed-interest security business in Asia. Of that, \$1.4bn has matured and been paid, leaving up to \$3.6bn still with Peregrine or its clients.

The figures suggest Peregrine's exposure to the Indonesian market may have been much larger than the \$200m loan to Steady Safe, a Jakarta transport company, which triggered the bank's collapse at the end of last week. Dharmala Inti Utama, a banking and property conglomerate, confirmed it had issued paper through Peregrine.

Dealers said other leading companies including Bakrie Investindo and Sekar Group had also issued paper through Peregrine but they declined to comment.

"Peregrine beat all other bidders because they had the capacity to warehouse [hold paper on their own books]," said one leading underwriter. "They were very aggressive. Nothing was impossible at Peregrine."

According to the bankers, Peregrine would have made large losses when borrowers started defaulting on their debt, with the strain intensifying as the rupiah collapse on currency markets last week reduced the dollar value of its holdings.

The extent of the losses would depend on how much unsold debt remains on Peregrine's balance sheet. Peregrine Sewu Securities, which is 85 per cent owned by Peregrine and 15 per cent by the Indonesian Gunung Sewu group, said it was not involved in the commercial market as these transactions were handled out of Hong Kong. The Indonesian company was a separate legal entity and was profitable, it said in a statement.

The collapse of the rupiah has dealt a serious blow to Indonesia's corporate debt market, one of the few flourishing fixed-interest markets in Asia, which had become something of a showcase and had also attracted strong investment interest from South Korean banks.

Official institutions such as the World Bank have been urging the region's governments to develop their capital markets to mobilise savings more efficiently and reduce companies' dependence on bank debt. But crumbling investor confidence in the Indonesian corporate sector means the outlook is bleak and the volume of business has slowed sharply.

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Veteran broker who was part of the new order

By Louise Lucas in Hong Kong

Francis Leung (left) and Philip Tose yesterday Reuters

Philip Tose, one-time racing car driver and latterly banker to corporate Hong Kong's elite, did not look like a defeated man yesterday when he closed the chapter on Peregrine, the *Asian investment bank he* founded 10 years ago.

Instead, flanked between his tearful partner and freshly appointed liquidator, and squinting under a barrage of flash bulbs, he gave a crisp critique of the week that culminated in Peregrine's demise.

It was a robust performance from a veteran stockbroker. Unlike many of today's bankers who parachute in for a few years, Mr Tose has spent the bulk of his 52 years in the territory's financial services industry. He spent 17 years with the Vickers da Costa group in Hong Kong and was the head of the Hong Kong office of Citicorp International after its acquisition of Vickers.

During his time in stockbroking he never saw himself as just a stockbroker. Mr Tose had a foot in *le beau monde*, and often graced the society pages in the company of his glamorous wife Jennifer. He was also something of a politician manqué and did not shrink from delivering stern advice to governments across Asia.

As a result, he did not always warm the hearts of those around him. "I don't think there will be too much sympathy for Philip. He went about the place telling governments what to do for the last three years – and gave himself massive HK\$20m (US\$2.6m) plus bonuses," mutters the head of another Hong Kong brokerage.

To Mr Tose the democratic Philippines was "a basket case": strong economic growth came from "strong government, some would call it dictatorship". Hong Kong was home – where he worked and invested.

Peregrine pioneered the Asian junk bond market, thanks to a Tose appointee – *Andre Lee, the aggressive* French-Korean poached from Lehman. Lee, regarded as a Tose protégé, headed the bank's thrust into Asian junk bonds, but former Peregrine employees complain he was given autonomy far beyond his experience.

Mr Tose's connections to Chinese tycoons were legendary, although he always protested that Peregrine won its business on the same grounds as its peers – by performing the job well rather than because a small percentage of their shares were owned by the company concerned.

Nonetheless, Peregrine's early backers included Li Ka-shing, one of Hong Kong's most powerful tycoons, as well as Citic Pacific, Beijing's main investment agency.

At work, Mr Tose was an old-school stockbroker, often able to place hefty share issues even when markets were lacklustre. More than one of his peers have pointed out in the past week that, had he stuck to the *equity business he knew so* well, Peregrine would still be around today.

But he took to power like a duck to water. If something went against him – such as with a recent plan to privatise the Kwong Sang Hong cosmetics-to-property company – he would rail against the rules which stood in his way.

Another banking chief notes: "He got up people's noses partly because he can be very abrasive, but mainly because he was stealing their business and was very much part of the new order."

At Peregrine, one of his greatest boasts was the group's flexibility. Unlike US or European houses, Peregrine could be nimble and quick in signing a deal – all that was required was the nod from Mr Tose or his partner Francis Leung.

One former employee says: "Most brokers here, if they want to put on positions like Peregrine, would have to go to London or New York for approval. And, as *events at Peregrine have* shown, there is a very good reason for that."

If only for that reason, it is possible Mr Tose will go down as the last of a dying breed: western courtiers who helped fund mainland entities. That role has been taken on by two very different groups – American bankers with MBAs from the best schools and locally nurtured brokerages staffed by Hong Kong Chinese.

And while Mr Tose himself is down, he is certainly not out. Investment banking itself was a second gambit – he only donned a pin-stripe suit after a crash forced him to quit racing cars in the 1960s. The latest crash could be the beginning of a whole new career.

State Bank of India faces a bumpy ride

M.S. Verma: margins on lending are falling Sophie Whittaker

The chill wind of competition is blowing at the heart of India's banking sector – the mighty State Bank of India. It recently posted a 20 per cent fall in operating profits for the first half, after a loss of fee income to private-sector banks and greater price competition on deposits.

"Margins on lending are falling," said M.S. Verma, chairman. State Bank would "have to make up for this with income from fees – which means that the range of services and products which we offer will have to increase."

Analysts are not penning State Bank's obituary yet – it remains by far the biggest and most powerful bank in India and enjoys a privileged relationship with the Reserve Bank, its majority shareholder. State Bank counts 85 per cent of India's top 300 companies among its clients. It is India's largest dealer in foreign exchange, with a 40 per cent market share. Its 8,800 branches reach deep into the heart of rural India – allowing it to tap savings beyond the reach of any other institution.

But competition is getting tougher as India opens its financial markets with the goal of making the rupee fully convertible by 2000. Mr Verma said State Bank would "have to compete with the best banks in the world to keep the best of our corporate clients". This would include competing with "Citibank and Chase Manhattan – and when it comes to raising capital, Goldman Sachs, Merrill Lynch and Morgan Stanley as well".

On the retail side, State Bank's competitive position is more secure but Mr Verma warns that its branch network is "not as important as it used to be". He says new technology would *enable newer banks with* fewer branches to reach clients and service most of their needs.

State Bank will retain its *position only if it* is able "to rise to the requirements of its clients in a more liberalised economy integrated with the global economy," he said. To this end, the bank will focus lending on two areas – project finance and consumer finance. It also plans to develop a new stockbroking arm, SBI Securities, and move into insurance as soon as the sector is opened to competition.

Negotiations with GE Capital, part of the General Electric group, to set up a joint venture company which it hopes will become the biggest issuer of credit cards in India, are almost complete. The first credit cards will be issued early next year.

Mr Verma said credit cards enabled the bank to exploit new opportunities arising from "India's first taste of consumer society" and that the move would be followed by a push into home loans and finance for consumer durables.

At the corporate level, State Bank plans to play a big role in India's infrastructure development. The bank has 53 overseas offices, the scale to finance large infra*structure projects, and a* record to show to international funding organisations. Mr Verma expects that State Bank will be called on to provide "more and more external commercial borrowing" and "deferred payment guarantees which could run into \$1bn at a time".

State Bank is strong enough to survive competition, he insists. "It is a strong Asian bank – and there are not many of them left," said one analyst. Most of its non-performing assets are decades old, and new lending is conservative. But the question is whether it has the skills to prosper in global markets. It lacks expertise in innovation, global capital, sales and above all in credit assesment and risk management.

Mr Verma admits the main challenge lies in the "development of the right mechanisms to assess risk", and this in turn requires "systems which would be adequate to provide a database". At present, they do not exist.

In its race to create such databases, State Bank is concentrating on the 2,500 urban branches which account for almost 70 per cent of assets and 60 per cent of deposits, and are also the branches most exposed to competition. To manage risk effectively State Bank will also need to train and retain important members of staff. This may not be easy.

State Bank is not free to set its own salaries, and seldom promotes talent swiftly. It has thus lost many high-*fliers to foreign and* private-sector banks. The chief executive of IndusInd, India's biggest private bank, is a former State Bank executive, as *is the head of its highly* profitable forex business.

State Bank may also have to face the test of competition without the Reserve Bank at its side. S.S. Tarapore, the former deputy governor of the RBI, recently said State Bank was "an ideal case for privatisation".

In the short term, such considerations matter little – State Bank's profits are likely to recover if infrastructure spending takes off next year and Indian companies hurt by the fall in the rupee return to domestic markets. But it does suggest that the transformation of a cherished institution of independent India into a global bank has only just begun – and could be a bumpy ride. And while State Bank's new life may be profitable, it will never be as cosy again.

Krishna Guha

KT predicts profit dive

Korea Telecom, the unlisted state-run group, predicted yesterday that net profits would fall by 90 per cent to Won18bn (\$6m), although sales are expected to increase by 7.3 per cent to Won7,510bn, writes John Burton in Seoul.

KT blamed the sharp earnings fall on increased competition in the telecommunications market, which has been liberalised in recent years. A cut in tariff rates and a rise in marketing costs helped to reduce profits.

In 1998, KT plans to raise sales to Won7,900bn and net profits to Won447bn by reducing operating costs by 30 per cent and cutting facility investments by 23 per cent, while selling unprofitable assets such as property holdings.

COMPANIES AND FINANCE: UK

Boardroom revolt at Liberty peaks

By Robert Wright

Four directors of Liberty, the luxury London department store, resigned yesterday, leaving the company with no executive directors and without its advisers, who walked out in protest.

The resignations completed the clear-out of directors who ran the store until an extraordinary meeting last month which ousted the then chairman, Denis Cassidy.

Yesterday Ian Thomson, chief executive, Andrew Garety, finance director and chairman, and Evie Soames and Brian Perry, both non-executives, resigned after *being told a second EGM* was being called to remove them as well.

Barings, Liberty's financial advisers, Cazenove, the stockbrokers, Shandwick, financial public relations advisers, and Slaughter & May, solicitors, all resigned after the board departures.

Philip Bowman, a former finance director of Bass, the brewer and betting shop operator, was appointed chairman by Brian Myerson and Odile Griffith, the last two remaining directors.

Yesterday's resignations *were the latest stage* in a protracted row between large shareholders and the old board. It started in October when Elizabeth Stewart-Liberty, widow of a descendant of Liberty's founder, called an extraordinary meeting to remove Denis Cassidy.

Supporters of the EGM motions were unhappy with the amount of information provided about a proposed £43m ($70m) redevelopment of the company's flagship store in Regent Street.

Five members of the Stewart-Liberty *family, who hold* 27.1 per cent of Liberty's shares, acted in concert with Brian Myerson, a South African investor who holds 16.9 per cent, at the December EGM which ousted Mr Cassidy. Odile Griffith, the Stewart-Libertys' financial adviser, and Mr Myerson were both appointed to the board at that EGM.

Mr Myerson and the Stewart-Libertys were backed by Manny Davidson, a property developer who holds 3 per cent. However, the decisive factor then was the absten*tion of the Merchant Navy* Officers' Pension Fund, which holds 5.4 per cent.

The pension fund backed yesterday's move to call a further EGM in what appeared to be an effort to bring the boardroom arguments to a swift end.

The advisers and directors will stay during a transition period. Both executive directors had contracts running into next year and are likely to receive at least £335,000 between them in compensation.

In 1995 Philip Bowman, 45, *went to Coles Myer, an Aus*tralian retailer, as director of finance and administration. He was sacked later the same year over his investigations into the "Yannon affair", a share-dealing scandal which led to changes in Coles Myer's board. He was paid compensation for wrongful dismissal. He is now a non-executive director of BSkyB, the satellite broadcaster.

LEX COMMENT

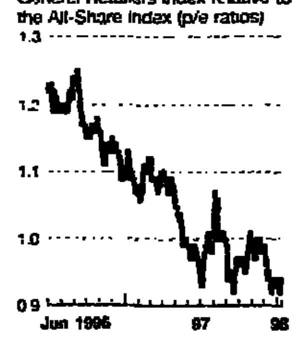
UK retailers

Fears of the demise of Christmas have again proved exaggerated. Sure, late buying made for some anxious moments, especially among retailers carrying heavy stocks. And some of the sector's delinquents may yet report scary numbers. But the trickle of trading statements from the heavyweights suggests that the festive season was neither disaster nor bonanza. The knock to Boots' share price yesterday was more a case of some of the froth subsiding after last year's 45 per cent rise than anything particularly disturbing in the figures. Where does this leave the sector, which has experienced a 25 per cent de-rating against the market over the past 18 months? At first blush the outlook is not great: higher interest rates are squeezing consumers, and there will be no repeat of last year's windfall bonanza. Moreover, there is a risk of margins being squeezed between sticky selling prices, and rising costs. But the prospect of falling interest rates – as seems possible in the second half – tends to be better for retail stocks than the reality of strong demand. So now may be the time to start buying.

Stocks like Marks and Spencer, Next and Boots continue to be safe bets for those seeking protection from the ravages of a strong pound and Asian meltdown. But given their demanding valuations, they offer fairly limited upside. Those looking for more excitement should consider Burton and Argos, which have been out of favour but remain sound and well managed.

UK retailers

General Retailers index relative to the All-Share index (p/e ratios)



Source: Datastream/ICV

Kingfisher's shares rise as Boots' fall after contrasting sales results for the Christmas period

Mixed fortunes for retailers

Trevor Humphries

Sir Michael Angus, Boots' chairman: looking for an upturn in the share price after it fell 6% yesterday

By Peggy Hollinger

A healthier and apparently more houseproud British public determined different trading experiences over Christmas for two of the country's biggest retailers, Boots and Kingfisher.

Boots shares fell more than 6 per cent yesterday to 847p as the chemists group disappointed the market with like-for-like sales up just 6.8 per cent in the three months to December 31.

Within that, Boots the Chemists chain showed a sharp slowdown in like-for-like sales growth of its lucrative over-the-counter medicines business from 8 per cent to 4 per cent.

This left the chain with overall comparable sales growth of 4.8 per cent.

Kingfisher, meanwhile, said like-for-like sales had increased by 8.2 per cent in the nine weeks to January 3, fuelled by a 14.5 per cent jump in comparable sales at B&Q, its DIY chain.

"It is going like a train," Kingfisher said. Sales of bathrooms and kitchens had been particularly strong over the holiday period.

This was in sharp contrast to Do It All, Boots' DIY business, which reported a like-for-like sales rise of 4 per cent in its ongoing stores.

Boots attributed its chemists chain's slowdown to the absence of significant illnesses during what has been a mild winter, although prescription sales were up by almost 10 per cent.

It also said like-for-like sales increases were hit by a warehouse fire, leading to a lack of own-label ranges. Boots said that had reined in sales growth at its chemists chain by between 1 and 2 per cent.

Full-year profit forecasts for Kingfisher were up £15m to about £480m, mainly because of better than expected trading from B&Q.

Its shares rose 27p to 912p.

But Boots forecasts were downgraded by about £20m to between £540m and £560m. Analysts said the different reactions were partly a measure of where the two companies were positioned in investors' perceptions.

"Kingfisher is still in the rehabilitation process, with people learning to trust it again," said John Richards, retail analyst at NatWest Securities.

"Boots is coming through an 18-month period when it could do no wrong."

The company's high rating relative to the market at more than 21 times earnings for 1998 had left "no scope for disappointment", he said.

Kingfisher said Woolworth had enjoyed strong Christmas trade, particularly in toys, and comparable sales were up 7.5 per cent. Darty, the French electricals business, showed an 8 per cent like-for-like increase in local currency.

Meanwhile, Comet, its UK electrical chain, returned a comparable sales increase of 1.3 per cent.

LucasVarity arm wins £2bn contract

By Michael Skapinker and Andrew Edgecliffe-Johnson

Lucas Aerospace will announce today that it has won a £2bn ($3.26bn) contract to provide the control systems for the newest generation of Rolls-Royce aircraft engines.

The contract is the largest ever won by Lucas Aerospace, a division of LucasVarity, the Anglo-American engineering group. The engines, part of the Rolls-Royce Trent family, are for the latest generation of Airbus A340 aircraft, as well as for derivatives of the Boeing 777 and 747.

The contract to be announced today provides for Lucas Aerospace to invest about £75m in the engines over the next four years. In return, it will take a share of the total revenues earned from the engines. The share will be between 3 per cent and 5 per cent, depending on the engine involved. Lucas Aerospace expects a substantial proportion of the revenues to come from after-sales services.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Bespak	6 mths to Oct 31	42.3	(39.4)	6.54	(5.03)	18.8	(13.3)	5.1	Feb 23	4.62	-	12.3
Debenham Tewson	6 mths to Oct 31	36.7	(30.3)	3.16	(1.86)	4.26	(2.44)	1.3	Feb 20	0.9	-	2.4
Denmans Electrical	Yr to Sept 30	63.3	(50.9)	3.43♥	(2.42♥)	13.66	(9.06)	3	Feb 23	2.1	3.7	2.75
Jurys Hotel ♣	6 mths to Oct 31	37.1	(29.3)	10.8	(7.92)	19	(14.5)	3.12	Feb 13	2.6	-	7.25
SDX Business	Yr to Oct 31	45.3	(33.2)	4.36	(3.17)	8.4†	(7)	1.6	Feb 28	-	2.4	-
Stentor Φ♣	6 mths to Sept 30⁑	0.125	(-)	1.62L	(0.45L)	19.4L	(10.29L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Capital for Comps	6 mths to Oct 31 ☆	102.1	(98.4)	0.102	(0.088)	1.2†	(2.2)	1.2	Jan 30	-	-	3.3
Henderson Geared	9 mths to Nov 30	-	(-)	-	(-)	-	(-)	1.7♦	Feb 17	1.6	-	6.4
Siam Selective	6 mths to Sept 30	77	(159)	0.193	(0.106)	0.7	(0.4)	-	-	-	-	nil

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♥After exceptional credit. †On increased capital. ΦAim stock. ♣Irish currency. ☆Comparatives for seven months. ⁑Comparatives for nine months. ♦Third interim; makes 5.1p to date.

NEWS DIGEST

Further departure at Micro Focus

Micro Focus Group was yesterday hit by another round of boardroom upheaval when Anthony Muller, chief financial officer, left the US-based computer software and services company. His resignation brings to four the number of senior executives to leave since April 1996. The shares, quoted in London and on Nasdaq, fell 40p to £25.50 ($41.56).

Mr Muller, who joined Micro Focus in September 1996, is understood to be taking up an appointment with a US group in which he has a financial investment.

Micro Focus, which expected to announce a replacement soon, said Loren Hillberg, company secretary, would take on Mr Muller's responsibilities in the meantime.

Martin Waters, chief executive officer, said: "The company is confident that it will meet its revenue and profit plans for the remainder of the fiscal year."

Christopher Price

600 Group laser system launch

Most members of the UK machine tool sector have been quitting markets during the past 30 years, but 600 Group, the country's biggest machine tool company, is venturing into an area dominated by Japanese and German competitors.

Its LazerBlade laser cutting system, scheduled for launch at a machine tool show in Birmingham in April, will be sold at a lower price than competing products, bringing the technology into a price bracket affordable by many small engineering sub-contractors.

The system will be sold for less than £200,000 ($326,000), roughly two-thirds of the price of many competing systems. *Peter Marsh*

Asthma growth lifts Bespak

The continued rise in the number of asthma sufferers and improved operating efficiency helped Bespak, the leading supplier of asthma inhalers, record a 30 per cent increase *in interim profits.*

Peter Chambré, chief executive, said business would be disrupted next year when the company switched valve inhalers from CFC gases to more environmentally friendly HFA gases. But growth is expected to continue as it benefits from the fast-growing market for new style dry-powder inhalers.

Bespak plans to invest £40m ($65m) in the next three years to switch to HFAs and build extra capacity for the dry-powder inhalers it makes for Glaxo Wellcome, Medeva and Rhône-Poulenc Rorer.

Pre-tax profits of £6.5m (£5m) for the six months to October 31 beat analysts expectations of less than £6m. Sales rose 7 per cent to £42.3m (£39.4m) in spite of an anticipated fall in US turnover following stocking-up ahead of product launches in the same period last year.

Tenax Corporation, the US medical devices business bought in 1992, saw sales fall by 5 per cent but returned to profit after a restructuring. *Roger Taylor*

Delta increases DEI stake

Delta, the restructuring electrical and engineering services group, plans to take a majority stake in its South African associate, Delta Electrical Industries.

News of the UK group's plan to spend £8.5m ($13.85m) lifting its holding from 47.5 to 50.1 per cent came as DEI confirmed the A$57m ($36m) acquisition of Broken Hill Proprietary's electrolytic manganese dioxide (EMD) business in Australia. The purchase will give Delta a 20 per *cent share of the world market in* EMD, which is used in dry cell alkaline batteries for the consumer market.

Andrew Edgecliffe-Johnson

Hanson makes US disposals

Skanska, the Swedish construction group, is to buy three US construction businesses from Hanson, the UK building materials group, as part of a disposal programme expected to raise about $150m for the British group.

Hanson is negotiating to sell Spectrum, its US building and civil engineering business, in two tranches. Skanska said yesterday it had signed a letter of intent to purchase Spectrum's heavy construction and civil engineering interests based in Virginia, Colorado and New Mexico.

Colas, the roadbuilding arm of Bouygues, the French construction group, is separately negotiating to buy Spectrum's roadbuilding activities.

Skanska said the purchase of three of the Spectrum companies – Tidewater Construction, CDK Contracting and Nielsons – would increase sales of its US construction operations to about $2.3bn a year. *Andrew Taylor*

Fund aims to target financial services

By George Graham

Europe's banks and insurance companies are in the firing line for two venture capitalists who aim to invest in the entrepreneurial suppliers they believe are poised to turn the traditional structures of the European financial services industry upside down.

Rod Schwartz and Jussi Laurimaa have formed Catalyst Fund Management and Research in the belief that banking in Europe is too profitable and ripe for attack by specialised financial services suppliers targeting the most profitable business segments.

"Just like the US, they are going to find that niche firms will destroy their margins. We believe the cherry-pickers are going to have a field day," said Mr Schwartz, a former top-rated banks analyst in both New York and London.

Catalyst's new fund, to be launched this month, will be backed by three European and North American financial groups. They will get the benefit of its research and can use the fund as a "shop window" to developments in their industry.

Mr Schwartz worked as an analyst before becoming head of European equities at broker Lehman Brothers. He became head of financial institutions banking at Paribas, the French investment bank, where he worked with Mr Laurimaa, a former consultant at McKinsey & Co.

They aim to invest not only in direct competitors to the traditional banks and insurers – companies which hope to follow in the footsteps of Direct Line, the start-up which created a revolution in UK car insurance by selling policies via the telephone – but also in what they call "weapons manufacturers".

These might include developers of banking software or specialists offering outsourced data processing.

Mr Schwartz cites US examples like Intuit, maker of Quicken personal finance software, and Verifone, now the leading US credit card authoriser. He has also identified European examples, such as Märschollek, Lautenschlaeger und Partner, a German financial adviser.

CONTRACTS & TENDERS

INTERNATIONAL CAPITAL MARKETS

Profit-taking as Asian markets recover

GOVERNMENT BONDS

By Simon Davies in London and John Labate in New York

Government bond markets came in for profit-taking yesterday, in the face of recovering Asian stock markets and the substantial rally in bond prices since the start of the year.

European bond markets opened lower, continuing their negative correlation with equities, but most of the markets finished significantly off their lows.

GERMAN BUNDS actually edged higher, with the March contract settling at 106.50, up 0.08 on the day. It had been down by as much as 0.29 during the day.

There was some profit-taking at the short end of the yield curve, prompted primarily by the recovery in Asia and its implication for the Bundesbank's interest rate policy.

But overall, sentiment remained strong. Alison Cottrell, international economist at PaineWebber, said: "There has been a fair amount of data coming out of the US and UK and it has all been good. Meanwhile, every time a central banker opens his mouth, it is to sweet-talk the short end of the yield curve. So long as Asian markets remain a bad place to be, G7 bonds are the only place to be."

UK GILTS were hit harder, with the March future down $\frac{21}{32}$ at the worst, but the contract rallied to close at 124$\frac{1}{16}$, down just $\frac{1}{16}$. The spread against bunds widened by 5 basis points to 106 points.

There was some profit-taking in the short sterling market, with traders talking about selling from a US investment bank, but the future is still projecting that the next interest rate move by the Bank of England's monetary policy committee will be downwards.

The market was unmoved by retail price data showing headline inflation edging downwards in December, in line with most economists' expectations.

Joanne Collins, senior market strategist at Nomura, said: "All of the strength in prices was in housing prices and household goods. So if you think the housing market is beginning to slow, then the main source of inflation is moderating."

ITALIAN BTPs shrugged off various newspaper reports that influential figures in the Netherlands and Germany were still keen to block Italian participation in European monetary union.

The March contract settled 0.04 lower at 117.58, some 0.30 above its low for the day, and the spread against bunds widened by just 2 basis points to 34 points.

Analysts said that as far as the bond markets were concerned, Italy had converged and there was little risk of non-entry into Emu factored into prices.

FRENCH OATs also lost ground to bunds, with the spread widening from 1 basis point to 4 points. The March contract settled 0.02 higher at 103.02.

US TREASURY prices moved lower as calm returned to international equity markets and new figures on consumer prices were released. By midday the benchmark 30-year Treasury bond was $\frac{3}{16}$ lower at 105$\frac{27}{32}$, sending the yield up to 5.714 per cent.

Shorter-term issues also weakened, with the 10-year note down $\frac{3}{32}$ at 105$\frac{5}{32}$, yielding 5.411 per cent and the two-year note off $\frac{1}{16}$ to 100¾, yielding 5.216 per cent. The Federal Funds rate was 5.37 per cent.

Improvements in overseas markets, as well as rising morning US stocks, sent prices lower. "It's a pretty simple equation today," said Patrick Dimick, analyst at UBS Securities in New York. "It's a partial unwind in the flight to quality in the front end of the market."

A morning report showed consumer prices rose a low 0.1 per cent in December, in line with expectations. The full year CPI gain for 1997 was 1.7 per cent, the smallest rise since 1986. Core CPI, excluding food and energy, for December rose 0.2 per cent and for all 1997 by 2.2 per cent.

Today, new data on retail sales are expected, with industrial production figures due on Friday.

● The Bank of England yesterday announced that it was to launch its first euro-denominated Treasury note programme on January 20. The BoE has an existing Ecu note programme.

It is to start off with a 500m Ecu tender, while a further 50m Ecus will be allotted to the Bank for sale and repurchase operations.

Once Stage Three of European monetary union is reached, on January 1 next year, all payments or interest and repayments of principal will made in euros. Before then, payments will continue to be made in ecu.

Benchmark euro deal from Austrian bank

INTERNATIONAL BONDS

By Samer Iskandar and Edward Luce

Oesterreichische Kontrollbank, the Austrian state-owned bank, yesterday launched the year's first benchmark issue in euros, the planned European single currency.

Bankers, including some not involved in the launch, described the transaction as "very successful", with the yield spread tightening to 10 basis points, from its launch level of 12 points.

SBC Warburg Dillon Read, lead manager, said the euro was the currency that met "the widest range of institutional buyers".

Supply, however, is expected to remain limited.

"There is no real swap market to allow arbitrage," said one syndicate manager. "Supply will mainly come from strategic borrowers wishing to position themselves ahead of Emu."

YORKSHIRE POWER FINANCE, the holding company for the UK regional electricity company, issued its debut bond in a £200m offering. The 30-year deal, priced to yield 123 basis points over gilts, was also the longest dated bond to be offered by a UK electricity concern. The issue gives investors an 18 basis point pick-up over the core company's existing sterling bond, which matures in 2020.

An official at UBS, sole lead manager, said the proceeds would retire part of the company's £1bn in short-term bank debt. Yorkshire Power is owned by American Electric Power and New Century Energies.

The EIB (European Investment Bank) issued a three-year $300m bond – its first in that maturity this year. Traders said the response was a little slow. "A lot of accounts missed out on the rally in US Treasuries last year and now are looking for longer-dated maturities in US dollars," one said.

● *Diageo*, the food and drinks company formed from the merger of Grand Metropolitan and Guinness, announced an $8bn US commercial paper programme. Proceeds will help it meet short-term borrowing needs and fund a capital repayment next month if approved by shareholders.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
European Investment Bank	300	5.375	99.773R	Jan 2001	0.1875R	+15(5¾Nov00)	Daiwa Europe
D-MARKS							
Chase CCMT, Class A1(a)	500	-	-	Feb 2005	0.30	-	Chase/Morgan Stanley
STERLING							
Yorkshire Power Finance	200	7.25(s)	98.755R	Aug 2028	0.625R	+123(8Jun21)	UBS
FRENCH FRANCS							
Chase CCMT, Class A2(a)	1.5bn	-	-	Feb 2005	0.30	-	Chase/M Stanley DW
ING America Insrnce Hldngs	1.5bn	5.375	99.878R	Feb 2009	0.40R	+26(i)	CDC/ING Barings
SWISS FRANCS							
Landesgirokasse Stuttgart	500	3.00	102.10	Feb 2005	2.50	-	CSFB
ITALIAN LIRE							
Abbey National Trsry Svcs(b)	750bn	Zero	8.21R	Feb 2038	0.20R	-	CSFB
KFW International Finance	400bn	5.50	98.70R	Jan 2018	0.40R	Flat(i)	Credito Ital'o/M Stanley
Suedwest Capital Mkts‡	300bn	(c)	99.80R	Feb 2008	0.120R	-	BCI/BNL/MPS
European Investment Bk(d)	250bn	5.50(s)	101.055	Feb 2018	2.00	-	IMI Bank Luxembourg
DePfa Bank(e)	200bn	5.00#	101.225	Jul 2001	1.375	-	Credito Italiano
Abbey National Trsry Svcs‡	150bn	(f)	99.75R	Feb 2013	0.50R	-	Credito Italiano
Merrill Lynch & Co‡	150bn	(g)	99.80R	Feb 2010	0.60R	-	Cariplo/Merrill Lynch
GUILDERS							
Chase CCMT, Class A3(a)	500	-	-	Feb 2005	0.30	-	Chase/M Stanley DW
SWEDISH KRONOR							
Eurofima	500	5.625	99.002R	Feb 2008	0.325R	+14(i)	WestLB
PESETAS							
European Investment Bank	15bn	4.625	101.01	Feb 2003	1.625	-	Merrill Lynch/Santander
ECU/EURO							
Oesterreichische Kontrollbank	750	5.25(s)	99.175R	Apr 2008	0.325R	+12(5¼Apr08)	SBC Warburg DR
Credit Local de France	100	5.00	102.00	Mar 2004	1.875	-	BIL

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Credit Card Master Trust, 98-1. 3 tranche deal with euro fungibility option after 1/1/99. Priced today. b) Callable in year 10 at 15.33%, yr 20 at 28.65% and yr 30 at 53.52%. c) 6¾% to Feb 99, then 5⅛%. Euro fungible. d) L750bn launched 8/1/98 increased to L1000bn. e) Callable from Jul 99 at par. f) 12% in yr 1, 8¼% in yrs 2-3, then 15% –2 x 12-mth Libor. Minimum zero. g) 13% in yr 1. 7% in yrs 2-3, then 15% –2 x 12-mth Libor. Minimum zero. i) Over interpolated yield. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Israel to raise $3bn this year

Israel yesterday said it planned to raise $3bn on international capital markets this year. The move marks Israel's determination to wean itself from a $10bn US loan guarantee programme that expires at the end of 1998. About $1.44bn will be raised through US-backed loans.

Shai Talmon, the finance ministry's accountant general, said a further $800m would be borrowed through the Israel Bonds programme, $200m in a 30-year Yankee bond, $150m in a syndicated loan, and $50m from other sources.

If needed, a further $350m could be raised through a syndicated loan, a eurobond issue or via Israel's euro medium-term note programme.

The finance ministry said Israel had not yet weighed the impact of the Asian financial crisis on its borrowing plans. "Before each placement we will consider these factors," he said. Last year, Israel raised around $2.5bn abroad. *Avi Machlis, Jerusalem*

■ SATELLITE FINANCE

Satmex seeks $775m

Satmex, Mexico's satellite operator, is braving volatile debt markets with plans to raise $775m before the end of the month. Satmex head Lauro González said the company planned to issue $300m of bonds and raise $475m via a syndicated loan to refinance a bridge loan that was contracted to acquire 75 per cent of the satellite company in December, after its privatisation.

Control of Satmex was bought from the government by Loral Space and Communications of the US and Telefónica Autrey, a Mexican telecommunications company, in October for $690m. Plans to pay the last 70 per cent of the purchase price in mid-December were delayed by turbulence in the financial markets. The payment was made on December 29 with a bridge loan arranged by Donaldson Lufkin & Jenrette and Lehman Brothers, which will also arrange the new financing. *Henry Tricks, Mexico City*

■ SAUDI PETROCHEMICALS

Loan for Sabic offshoot

Saudi-European Petrochemical Company, an affiliate of Saudi Basic Industries Corporation, the petrochemicals giant, is seeking to raise $400m in a syndicated loan to finance an expansion project. Four Saudi banks – Riyad Bank, Al Bank Al Saudi Al Fransi, National Commercial Bank and Saudi American Bank – have been mandated as arrangers.

The company, 70 per cent owned by Sabic, with the remaining 30 per cent owned equally by Arab Petroleum Investment Corp, Italy's Ecofuel and Finland's Neste, is aiming to increase production capacity of polypropylene (used in the production of furniture and carpets, among other products) by 350,000 tons per year to 620,000 tons by 2000. *Roula Khalaf*

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 13	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.3923	5.09	+0.08	+0.02	–0.39	–1.22
	10/07	10.000	131.7952	5.66	+0.12	+0.02	–0.53	–1.87
Austria	09/99	7.000	104.4800	4.16	+0.01	–0.19	–0.29	+0.49
	07/07	5.625	103.4300	5.15	–0.01	–0.14	–0.21	–0.67
Belgium	01/00	4.000	99.3300	4.04	–0.02	–0.25	–0.35	+0.51
	03/07	6.250	108.0000	5.13	–0.01	–0.19	–0.30	–0.76
Canada*	09/99	4.750	100.0400	4.72	+0.02	–0.22	–0.29	+0.56
	06/07	7.250	114.5000	5.25	-	–0.13	–0.40	–1.46
Denmark	12/99	6.000	103.2200	4.20	+0.01	–0.24	–0.37	+0.35
	11/07	7.000	112.4600	5.34	–	–0.15	–0.35	–1.17
Finland	01/99	11.000	106.9710	3.75	+0.03	–0.17	–0.38	+0.21
	04/06	7.250	113.9470	5.13	–	–0.18	–0.28	–1.02
France	01/00	4.000	100.0300	3.98	-	–0.23	–0.32	+0.65
	10/04	6.750	111.3700	4.74	-	–0.19	–0.27	–0.36
	10/07	5.500	103.3300	5.06	–0.01	–0.14	–0.21	–0.61
	10/25	6.000	105.3600	5.61	–0.01	–0.13	–0.22	–1.06
Germany	09/99	4.000	100.1800	3.88	-	–0.20	–0.26	+0.56
	11/04	7.500	115.2800	4.81	–0.01	–0.21	–0.33	–0.50
	07/07	6.000	106.9100	5.06	-	–0.15	–0.23	–0.72
	07/27	6.500	112.3600	5.63	-	–0.14	–0.24	–1.06
Ireland	04/99	6.250	101.8000	4.67	-	–0.21	–0.34	–1.33
	08/06	8.000	118.0800	5.32	-	–0.11	–0.25	–1.42
Italy	05/00	6.000	102.8800	4.68	–0.01	–0.12	–0.30	–1.52
	05/02	6.250	105.1300	4.92	+0.02	–0.14	–0.34	–1.58
	07/07	6.750	110.3300	5.34	+0.01	–0.14	–0.33	–2.07
	11/26	7.250	119.7200	5.83	+0.02	–0.14	–0.32	–2.11
Japan	03/00	6.400	112.5000	0.58	+0.03	–0.01	–0.03	–0.10
	12/02	4.800	117.0700	1.21	+0.02	–0.01	–0.06	–0.56
	09/05	3.000	109.6300	1.66	+0.02	+0.02	–0.05	–0.76
	09/17	3.000	107.9400	2.49	+0.02	+0.01	–0.06	–0.77
Netherlands	11/99	7.500	105.9900	4.03	–0.01	–0.16	–0.31	+0.71
	02/07	5.750	105.2500	5.02	-	–0.14	–0.24	–0.62
New Zealand	02/00	6.500	98.0011	7.57	+0.02	+0.04	+0.30	+0.53
	11/06	8.000	108.5465	6.68	+0.02	–0.08	–0.25	–0.76
Norway	01/99	9.000	104.7200	4.26	+0.04	–0.03	–0.10	+0.42
	01/07	6.750	110.2000	5.30	+0.04	–0.09	–0.16	–0.61
Portugal	03/99	8.500	104.5288	4.47	+0.03	–0.11	–0.32	–1.06
	02/07	6.625	108.8408	5.37	–0.01	–0.13	–0.30	–1.38
Spain	07/98	7.400	104.2284	4.46	-	-	–0.17	–0.76
	03/07	7.350	114.6006	5.30	–0.03	–0.14	–0.30	–1.43
Sweden	01/99	11.000	105.9517	4.84	+0.04	–0.18	–0.22	+0.48
	08/07	8.000	117.5380	5.58	–0.01	–0.25	–0.38	–1.16
Switzerland	03/00	5.000	107.0500	1.64	+0.03	–0.23	–0.26	–0.30
	06/07	4.500	111.1800	3.11	+0.02	–0.09	–0.23	–0.70
UK	06/99	6.000	99.2266	6.52	+0.05	–0.12	–0.35	–0.05
	11/04	6.750	103.6484	6.09	+0.05	–0.11	–0.32	–1.25
	12/07	7.250	109.3672	5.98	+0.02	–0.11	–0.29	–1.59
	06/21	8.000	125.5000	5.96	+0.02	–0.10	–0.25	–1.79
US	10/99	5.625	100.5860	5.27	+0.04	–0.15	–0.37	–0.78
	11/04	7.875	114.0860	5.38	+0.02	–0.10	–0.39	–1.01
	08/07	6.125	105.3750	5.40	+0.02	–0.08	–0.34	–1.21
	08/27	6.375	108.8130	5.75	-	–0.04	–0.24	–1.10
ECU	01/00	4.000	99.4100	4.31	-	–0.23	–0.38	+0.24
	04/07	5.500	102.3900	5.17	-	–0.14	–0.23	–1.04

London closing. *New York mid-day. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jan 13	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.66	+0.60	+0.26
Austria	5.15	+0.09	–0.25
Belgium	5.13	+0.07	–0.27
Canada	5.26	+0.20	–0.14
Denmark	5.34	+0.28	–0.06
Finland	5.11	+0.05	–0.29
France	5.06	-	–0.34
Germany	5.06	-	–0.34
Ireland	5.32	+0.26	–0.08
Italy	5.34	+0.28	–0.06
Japan	1.66	–3.40	–3.74
Netherlands	5.01	–0.05	–0.39
New Zealand	6.68	+1.62	+1.28
Norway	5.30	+0.24	–0.10
Portugal	5.37	+0.31	–0.03
Spain	5.30	+0.24	–0.10
Sweden	5.58	+0.52	+0.18
Switzerland	3.11	–1.95	–2.29
UK	5.98	+0.92	+0.58
US	5.40	+0.34	-
ECU	5.16	+0.10	–0.24

Source: Interactive Data/FT Information. London closing, * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Jan 13	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v US
EUROPE								
Croatia	02/02	7.000	BBB–	96.7000	7.95	–0.36	–0.57	+2.71
Poland	07/04	7.125	BBB–	104.0000	6.36	–0.27	–0.92	+1.08
Russia	06/07	10.000	BB–	88.5000	12.07	-	–0.23	+5.70
LATIN AMERICA								
Argentina	09/27	9.750	BB	94.0000	10.42	–0.42	–0.61	+4.71
Brazil	05/27	10.125	BB–	91.0000	11.17	–0.43	–0.46	+5.48
Mexico	09/26	11.500	BB	117.5000	9.66	–0.14	–0.30	+3.56
ASIA								
China	07/06	7.750	BBB+	104.0000	7.09	–0.04	+0.20	+1.75
Philippines	10/16	8.750	BB+	97.8000	10.22	–0.11	+0.24	+4.70
Thailand	04/07	7.750	A–	80.6500	11.20	+0.13	+1.88	+5.83
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB–	102.8000	7.83	–0.13	+0.05	+2.62
South Africa	10/06	8.375	BB+	105.2500	7.53	–0.13	–0.11	+2.19
Turkey	09/07	10.000	B	100.6846	9.87	–0.09	–0.27	+4.49
BRADY BONDS								
Argentina	03/23	5.500	BB	73.7500	8.51	–0.08	–0.34	+2.88
Brazil	04/14	4.500	BB–	76.3800	10.29	–0.52	–0.52	+4.60
Mexico	12/19	6.250	BB	84.7500	7.70	–0.14	–0.39	+2.13
Venezuela	03/20	6.750	B+	85.3800	8.19	+0.11	–0.14	+2.61

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.88	103.02	+0.02	103.04	102.72	107,313	131,736
Jun	102.18	102.34	+0.04	102.18	102.06	80	2,235
Sep	101.94	102.10	+0.04	101.94	101.94	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
97	4.94	4.94	4.34	-	0.02	0.16
98	3.94	3.97	3.49	0.01	0.05	0.29
99	2.95	3.04	2.71	0.02	0.12	0.50
100	2.00	2.15	2.03	0.08	0.22	0.81
101	1.13	1.37	1.46	0.19	0.43	1.22

Est. vol. total, Calls 29,531 Puts 15,520. Previous day's open int., Calls 88,976 Puts 102,497.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.37	105.50	+0.08	105.60	105.13	224840	258823
Jun	105.60	105.91	+0.08	105.95	105.60	120	3065

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
10650	0.39	0.73	0.70	1.03	0.39	0.73	1.29	1.62
10700	0.18	0.50	0.51	0.83	0.68	1.00	1.60	1.92
10750	0.06	0.32	0.36	0.66	1.06	1.32	1.95	2.24

Est. vol. total, Calls 21769 Puts 31615. Previous day's open int., Calls 180997 Puts 228582

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.08	105.14	-	105.27	104.96	186,766	209,469
Jul	-	104.72	-	-	-	50	550

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	105.06	105.19	+0.07	105.24	104.97	2,567	37,714
Jun	-	104.74	+0.07	-	-	-	-

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.48	117.58	–0.04	117.68	117.28	70376	124393
Jun	116.80	117.00	–0.02	117.02	116.80	1361	9687

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11750	0.83	1.22	0.75	1.72
11800	0.58	1.01	1.00	2.01
11850	0.40	0.83	1.32	2.33

Est. vol. total, Calls 2153 Puts 4126. Previous day's open int., Calls 54479 Puts 58013

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	107.40	107.71	–0.16	107.73	107.36	100,521	109,319

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	123-29	124-02	–0-02	124-03	123-15	78022	183812
Jun	107-23	107-31	–0-02	107-23	107-22	200	2024

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Feb	Calls Mar	Calls Apr	Calls Jun	Puts Feb	Puts Mar	Puts Apr	Puts Jun
124	0-42	1-11	0	0	0-38	1-07	16-02	18-02
125	0-15	0-48	0	0	1-11	1-44	17-02	17-02
126	0-05	0-30	0	0	2-01	2-26	18-02	18-02

Est. vol. total, Calls 656 Puts 2003. Previous day's open int., Calls 72483 Puts 39071

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	102.04	102.20	–0.04	102.10	101.98	403	5,519

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	123-19	123-23	-	124-03	123-11	553,103	712,991
Jun	123-03	123-11	-	123-26	123-00	11,086	44,667
Sep	123-00	123-00	–0-21	123-00	122-31	2,794	7,030

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Mar	130.32			130.36	130.24	742	n/a
Jun	129.73			129.73	129.66	130	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

US CORPORATE BONDS

Jan 12	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA–	105.9200	5.72	+0.02	–0.45	+0.50
NY Tel	08/25	7.00	A+	101.6415	6.86	–0.01	–0.22	+1.16
CWE	05/08	8.00	BBB	112.1348	6.37	–0.02	–0.36	+1.00
FINANCIALS								
GECC	05/07	8.75	AAA	119.9573	5.93	–0.02	–0.39	+0.56
Banc One	08/02	7.25	A+	105.9122	5.75	+0.02	–0.48	+0.53
US West	01/07	7.30	BBB+	106.0916	6.39	–0.02	–0.40	+1.02
INDUSTRIALS								
WMX Tech	04/99	6.25	A–	100.3386	5.94	+0.04	–0.43	+1.05
Wal Mart	05/02	6.75	AA	104.1505	5.65	+0.02	–0.48	+0.43
Dayton Hud	06/21	9.70	BBB+	133.6649	6.80	–0.02	–0.25	+1.10
AGENCIES								
FHLMC	04/07	7.14	N/A	110.3284	5.68	–0.02	–0.39	+0.31
SLMA	03/00	7.50	N/A	104.2842	5.36	+0.02	–0.44	+0.18
FNMA	02/18	8.95	N/A	133.9132	6.01	–0.09	–0.34	+0.31
FFCB	06/05	8.95	N/A	121.5049	5.88	-	–0.38	+0.31
HIGH YIELD								
Stone Cont	02/01	9.88	B	100.2500	0.00	–	–	–
AK Stl	12/01	9.13	BB–	104.2500	0.00	–	–	–
Pacalta	06/04	10.75	B–	99.0000	0.00	–	–	–

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.25
Prime rate	8½	Two month	-	Three year	5.25
Broker loan rate	7¼	Three month	5.17	Five year	5.28
Fed.funds	5¼	Six month	5.15	10-year	5.42
Fed.funds at intervention	-	One year	5.17	30-year	5.72

INTERNATIONAL BONDS

Jan 13	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO DM								
EIB	02/07	5.750	AAA	104.6100	5.10	–	–0.25	+0.11
Spain	01/07	5.750	AA	103.8800	5.20	-	–0.25	+0.21
Philip Morris	03/04	5.375	A	101.6000	5.06	–0.08	–0.40	+0.42
Finland FRN	09/02	3.620	AA	100.7326	4.03	–0.01	–0.35	–0.22
EURO FFR								
Austria	01/04	5.500	AAA	103.7000	4.78	–	–0.28	+0.17
Abbey Nat	02/04	6.000	AA	105.7800	4.88	–	–0.28	+0.27
Cred Foncier	02/04	9.125	A	120.0800	5.19	–0.03	–0.27	+0.58
3CIF FRN	12/01	3.750	AA–	99.8671	4.20	–0.01	–0.32	+0.03
EURO LIRA								
EIB	02/07	7.000	AAA	111.8500	5.35	+0.02	–0.23	+0.09
Abbey Nat	02/02	6.800	AA	106.4000	5.03	+0.01	–0.37	+0.23
Walt Disney	06/00	8.625	A	107.8900	5.07	+0.02	–0.29	+0.46
EIB FRN	03/01	5.825	AAA	100.2272	4.61	+0.02	–0.38	–0.07
EURO £								
EIB	12/07	7.625	AAA	109.8900	6.25	+0.02	–0.32	+0.22
Dresdner Bk	12/07	7.750	AA–	106.9627	6.76	+0.02	–0.28	+0.73
British Gas	03/00	7.625	A+	101.1713	7.01	+0.06	–0.38	+0.49
Abbey Nat FRN	02/02	7.830	AA	100.0140	6.20	+0.06	–0.32	–0.13
EURO $								
EIB	04/07	7.250	AAA	110.1600	5.80	+0.02	–0.32	+0.43
ABN Amro	06/07	7.125	AA–	106.0802	6.26	+0.20	–0.20	+0.89
Quebec	01/07	7.000	A+	105.6106	6.18	+0.03	–0.28	+0.81
Citicorp FRN	02/04	5.938	A+	98.9211	6.15	+0.19	+0.15	+0.87
EURO C$								
Bayer L-Bk	08/04	9.500	AAA	120.6558	5.64	+0.03	–0.36	+0.28
Toronto	05/04	8.500	AA+	115.4029	5.56	+0.03	–0.37	+0.17
Bell Canada	07/99	10.625	A+	107.2120	5.43	+0.03	–0.11	+1.04
Deutsche B FRN	09/02	5.875	AAA	101.2737	5.56	+0.06	–0.01	+0.26
EURO YEN								
World Bank	03/02	5.250	AAA	117.0200	1.07	+0.02	–0.01	+0.19
Spain	03/02	5.750	AA	119.0000	1.08	+0.01	–0.04	+0.20
Cred Foncier	08/02	4.750	A	113.8438	1.58	+0.02	–	+0.70
Italy FRN	07/98	0.594	AA	100.3270	0.33	+0.03	–0.03	–0.10

London closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONDS

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Tue Jan 13	Day's change %	Mon Jan 12	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.60	–0.12	120.65	2.14	0.61
2 5-15 years (21)	161.69	–0.12	163.13	1.79	0.69
3 Over 15 years (4)	198.81	–0.13	199.07	2.35	0.00
4 Irredeemables (4)	247.04	–0.33	247.86	2.71	0.00
5 All stocks (48)	154.23	–0.12	154.52	2.09	0.56

	Low coupon yield Jan 13	Jan 12	Yr ago	Medium coupon yield Jan 13	Jan 12	Yr ago	High coupon yield Jan 13	Jan 12	Yr ago
5 yrs	6.14	6.09	7.16	6.23	6.18	7.25	6.27	6.22	7.27
15 yrs	5.98	5.96	7.78	5.99	5.98	7.74	6.11	6.08	7.73
20 yrs	5.96	5.95	7.83	5.98	5.97	7.80	6.11	6.08	7.77
Irred.†	6.11	6.09	7.89						

Index-linked	Tue Jan 13	Day's change %	Mon Jan 12	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	213.79	0.02	213.75	1.76	0.00
7 Over 5 years (10)	218.78	0.02	218.97	1.38	0.72
8 All stocks (12)	217.17	0.02	217.25	1.41	0.63

	Inflation 5% Jan 13	Jan 12	Yr ago	Inflation 10% Jan 13	Jan 12	Yr ago
Up to 5 yrs	2.95	2.99	3.25	2.14	2.29	2.61
Over 5 yrs	2.87	2.99	3.60	2.75	2.79	3.43

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jan 13	Jan 12	Jan 9	Jan 8	Jan 7	Yr ago	High*	Low*
Govt. Secs. (UK)	103.53	103.82	103.65	103.34	103.07	94.30	103.92	93.31
Fixed Interest	138.83	139.27	138.39	137.94	137.51	118.95	139.27	118.52

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

West's kind words for Asia boost yen

MARKETS REPORT

By Simon Kuper

The yen rallied yesterday after US and International Monetary Fund officials praised reform efforts in Indonesia and other Asian nations. The region's stock markets recovered most of Monday's vast losses.

The crucial comment came from Larry Summers, US deputy treasury secretary, who said after meeting President Suharto of Indonesia: "It's clear that (he) recognises the need to take strong steps of the kinds that have been under discussion with the IMF." The fund had agreed a $43bn rescue package with Indonesia in October, in exchange for market reforms. Indonesian ministers yesterday hinted at cuts to import tariffs and trade barriers, and changes to the country's 1998/1999 budget, which critics said was insufficiently austere.

Michel Camdessus, the IMF's managing director, praised South Korea's support for painful reforms. The country's talks with foreign banks on rolling over short-term debt were "going well", he said. Foreign exchange reserves had stopped "leaking" and Korea's capital account had moved into surplus. "All of that signals the beginning of recovery."

The yen rose Y1.3 against the dollar to close in London at Y131.8.

The dollar fell against the D-Mark early in London trading after persistent talk that the Bundesbank had sold the US currency at DM1.8240. This story moved the market partly because the dollar had failed to break resistance at DM1.8250. But the dollar rebounded later after a German research institute said the Asian crisis might force the Bundesbank to cut its repo rate.

Helmut Hesse, a Bundesbank council member, also helped the dollar when he said the current exchange rate was not a competitive burden for Germany, "but rather the opposite". However, he added after London trading had closed that "there was no reason" that flows into the dollar would not be reversed. In late New York trading the US currency was at DM1.819, barely changed from Monday.

The pound jumped on talk of a large US bid for a UK utility company, and on a British Retail Consortium survey which said that Christmas retail sales had been far stronger than expected. This contradicted the growing view that the UK economy was slowing sharply. Sterling closed at DM2.974 against the D-Mark and $1.633 against the dollar, 3.1 pfennigs and 1.4 cents up on the day. But Nick Parsons, currency strategist at Paribas Capital Markets in London, said there was "no appetite to chase the pound above DM2.9750".

■ Western officials seemed to be working in concert to boost market sentiment over Asia. "There is a greater conviction that the Group of Seven will try to nip this crisis in the bud," said Mark Geddes, treasury economist at ABN-Amro in London.

Goldman Sachs, advised that "buying a basket of Asian currencies in 1998 ultimately will be very rewarding", but cannily avoided indicating which particular part of the year might be best. Goldman said its basket of eight Asian currencies was now undervalued by 47 per cent and yielding a return of 16 per cent.

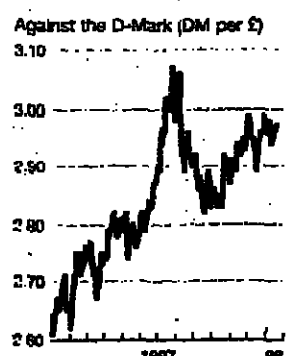
But Mr Parsons warned against optimism, noting that "nothing tangible in terms of events" happened yesterday.

■ The UK money market moves in mysterious ways. On Monday, it decided after some weak data that base rates would fall by the summer. Short sterling futures leaped. Yesterday they sank, even though December retail price data emerged as expected and the BRC survey simply confirmed anecdotal evidence that sales had surged just before Christmas. The June 1999 contract lost 10 basis points, and now prices in base rates of about 6.50 per cent.

Oddly enough, the market concluded that base rates might not fall just as one of the people who set them seemed tosuggest they might. Charles Goodhart, a member of the Bank of England's monetary policy committee, said the Asian crisis was having a deflationary effect worldwide, making it likely that "the extent of rate increases will be less than they otherwise would have been."

Sterling

Against the D-Mark (DM per £)



Source: Datastream/ICV

■ **Pound in New York**

Jan 13	--Latest--	-- Prev close --
£ spot	1.6325	1.6215
1 mth	1.6300	1.6188
3 mth	1.6255	1.6143
1 yr	1.6060	1.5940

■ **OTHER CURRENCIES**

Jan 13	£	$
Czech Rp	58.1725 - 58.2464	35.6340 - 35.6640
Hungary	336.801 - 337.027	206.310 - 206.360
Iran	4890.60 - 4897.50	3000.00 - 3000.00
Kuwait	0.4995 - 0.5002	0.3060 - 0.3063
Poland	5.7742 - 5.7864	3.5370 - 3.5430
Russia	9.8015 - 9.6050	6.0040 - 6.0060
U.A.E.	5.9960 - 5.9987	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.9206	+0.2153	127 - 285	20.9554	20.7444	20.8538	3.8	20.7307	3.6	20.2624	3.1	102.5
Belgium	(BFr)	61.3544	+0.6444	085 - 002	61.4510	60.8500	61.1381	4.2	60.7736	3.8	59.3130	3.3	101.8
Denmark	(DKr)	11.3255	+0.1171	214 - 295	11.3459	11.2371	11.2836	3.9	11.2292	3.4	10.9898	3.0	104.3
Finland	(FM)	9.0082	+0.0934	023 - 141	9.0160	8.9320	8.9756	4.3	8.9226	3.8	8.7127	3.3	80.5
France	(FFr)	9.9582	+0.1049	525 - 638	9.9764	9.8771	9.9241	4.1	9.8661	3.7	9.6272	3.3	105.3
Germany	(DM)	2.9739	+0.0306	728 - 749	2.9516	2.9488	2.9636	4.2	2.9462	3.7	2.875	3.3	102.0
Greece	(Dr)	469.183	+4.269	870 - 496	471.216	466.673	473.041	-9.9	480.942	-10.0	509.173	-8.5	65.1
Ireland	(I£)	1.1888	+0.0069	876 - 899	1.1970	1.1864	1.1877	1.2	1.1844	1.5	1.1603	2.4	82.8
Italy	(L)	2924.88	+30.21	291 - 696	2930.11	2900.15	2922.03	1.2	2915.27	1.3	2864.92	2.0	75.5
Luxembourg	(LFr)	61.3544	+0.6444	085 - 002	61.4510	60.8500	61.1381	4.2	60.7736	3.8	59.3139	3.3	101.8
Netherlands	(Fl)	3.3508	+0.0349	496 - 520	3.3573	3.3237	3.3388	4.3	3.3168	3.8	3.2385	3.4	101.2
Norway	(NKr)	12.3106	+0.1315	063 - 148	12.3338	12.1880	12.2695	4.0	12.202	3.5	11.9565	2.9	97.1
Portugal	(Es)	304.086	+3.158	939 - 233	304.569	301.650	303.449	2.5	302.173	2.5	295.895	2.7	91.4
Spain	(Pta)	251.957	+2.827	876 - 035	253.030	250.270	251.389	2.7	250.348	2.6	245.111	2.7	76.5
Sweden	(SKr)	13.1045	+0.0909	969 - 121	13.1495	13.0326	13.0724	2.9	13.02	2.6	12.8216	2.2	84.6
Switzerland	(SFr)	2.4134	+0.0249	120 - 147	2.4196	2.3826	2.4001	6.6	2.378	5.9	2.2842	5.4	107.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.8
Ecu	-	1.5045	+0.0141	036 - 053	1.5058	1.4939	1.5003	3.3	1.4931	3.0	1.4626	2.8	-
SDR†	-	1.207969	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6326	+0.0144	322 - 329	1.6391	1.6218	-	-	-	-	-	-	-
Brazil	(R$)	1.8257	+0.0144	251 - 262	1.8328	1.8138	-	-	-	-	-	-	-
Canada	(C$)	2.3414	+0.0208	405 - 423	2.3488	2.3285	2.3352	3.2	2.3255	2.7	2.2885	2.3	82.5
Mexico	(New Peso)	13.3192	-0.0578	081 - 302	13.4520	13.3261	13.4696	-13.6	13.741	-12.7	14.8201	-12.0	-
USA	($)	1.6329	+0.0144	325 - 332	1.6394	1.6221	1.6303	1.9	1.6258	1.7	1.6066	1.6	110.2
Pacific/Middle East/Africa													
Australia	(A$)	2.5275	+0.0007	259 - 290	2.5542	2.5240	2.5223	2.4	2.5128	2.4	2.4726	2.2	85.2
Hong Kong	(HK$)	12.6514	+0.112	478 - 549	12.6896	12.5598	12.7458	-9.0	12.8648	-6.7	13.508	-6.8	-
India	(Rs)	65.1262	+0.7665	959 - 565	65.2960	64.7060	-	-	-	-	-	-	-
Israel	(Shk)	5.8279	+0.0557	217 - 340	5.8206	5.8147	-	-	-	-	-	-	-
Japan	(Y)	215.267	-0.115	164 - 370	216.340	214.670	213.967	7.2	211.622	6.8	201.302	6.5	118.0
Malaysia	(M$)	7.4952	-0.0308	858 - 046	7.5859	7.4292	7.4729	3.6	7.4728	1.2	7.6958	-2.7	-
New Zealand	(NZ$)	2.8509	+0.0131	485 - 532	2.8721	2.8484	2.855	-1.7	2.8613	-1.5	2.8828	-1.1	101.8
Philippines	(Peso)	71.1107	+0.2203	321 - 892	71.8590	70.9860	72.0172	-15.3	73.4514	-13.2	81.8409	-15.1	-
Saudi Arabia	(SR)	6.1253	+0.0527	235 - 271	6.1494	6.0861	6.1186	1.3	6.106	1.3	6.0564	1.1	-
Singapore	(S$)	2.8902	-0.0312	871 - 932	2.9208	2.8756	2.9063	-6.3	2.92	-4.1	2.9762	-3.0	-
South Africa	(R)	8.1251	+0.048	209 - 293	8.1536	8.0820	8.1875	-9.2	8.2874	-8.0	8.677	-6.8	-
South Korea	(Won)	2880.35	+69.01	810 - 260	2890.26	2821.11	-	-	-	-	-	-	-
Taiwan	(T$)	56.1570	+0.2936	009 - 131	56.2423	55.1552	56.0874	1.5	55.9682	1.4	55.4332	1.3	-
Thailand	(Bt)	90.9906	-0.7784	486 - 326	91.6140	86.9180	91.664	-8.9	93.441	-10.8	101.374	-11.4	-

† Rates for Jan 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.8123	+0.0194	102 - 144	12.8360	12.7550	12.7913	2.0	12.7513	1.9	12.6123	1.6	102.2
Belgium	(BFr)	37.5750	+0.065	550 - 950	37.6350	37.4200	37.501	2.4	37.3315	2.1	36.92	1.7	102.0
Denmark	(DKr)	6.9360	+0.0108	350 - 370	6.9497	6.9060	6.9249	1.9	6.907	1.7	6.8406	1.4	103.9
Finland	(FM)	5.5169	+0.0098	144 - 193	5.5251	5.4915	5.5055	2.5	5.4832	2.1	5.4229	1.7	80.2
France	(FFr)	6.0987	+0.0107	965 - 008	6.1097	6.0710	6.0872	2.2	6.0687	2.0	5.9925	1.7	105.0
Germany	(DM)	1.8213	+0.0028	210 - 215	1.8251	1.8130	1.8178	2.3	1.8122	2.0	1.7836	1.7	102.8
Greece	(Dr)	287.340	+0.09	210 - 470	288.470	285.600	290.155	-11.6	295.825	-11.8	316.935	-10.3	65.1
Ireland	(I£)	1.3736	+0.0042	726 - 746	1.3755	1.3667	1.3727	0.7	1.3727	0.2	1.3846	-0.8	-
Italy	(L)	1791.28	+2.79	039 - 216	1794.89	1783.00	1792.33	-0.7	1793.17	-0.4	1753.28	0.4	75.4
Luxembourg	(LFr)	37.5750	+0.065	550 - 950	37.6350	37.4200	37.501	2.4	37.3815	2.1	36.92	1.7	102.0
Netherlands	(Fl)	2.0521	+0.0033	518 - 524	2.0568	2.0430	2.048	2.4	2.0413	2.1	2.0157	1.8	101.3
Norway	(NKr)	7.5393	+0.0144	383 - 403	7.5489	7.5045	7.5259	2.1	7.5053	1.8	7.4423	1.3	96.8
Portugal	(Es)	186.230	+0.3	180 - 280	186.530	185.420	186.13	0.6	185.865	0.8	184.16	1.1	92.2
Spain	(Pta)	154.305	+0.255	290 - 320	154.800	153.600	154.196	0.8	153.998	0.8	152.57	1.1	76.4
Sweden	(SKr)	8.0256	-0.0149	226 - 285	8.0554	8.0013	8.0185	1.1	8.0086	0.8	7.9809	0.6	84.4
Switzerland	(SFr)	1.4780	+0.0023	775 - 785	1.4800	1.4721	1.4722	4.7	1.4627	4.2	1.4218	3.8	107.2
UK	(£)	1.6329	+0.0144	325 - 332	1.6394	1.6221	1.6303	1.9	1.6258	1.7	1.6066	1.6	103.5
Ecu	-	1.0854	-0.0006	850 - 657	1.0900	1.0835	1.0867	-1.4	1.0899	-1.3	1.0985	-1.2	-
SDR†	-	0.74806	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 999	0.9999	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	1.1181	-0.001	180 - 182	1.1184	1.1175	-	-	-	-	-	-	-
Canada	(C$)	1.4340	+0.0002	337 - 342	1.4375	1.4308	1.4324	1.3	1.4304	1.0	1.4245	0.7	82.7
Mexico	(New Peso)	8.1570	-0.108	520 - 620	8.1640	8.1520	8.262	-15.4	8.452	-14.5	9.287	-13.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.3
Pacific/Middle East/Africa													
Australia	(A$)	1.5479	-0.0133	473 - 485	1.5560	1.5460	1.5471	0.6	1.5445	0.9	1.5338	0.9	85.5
Hong Kong	(HK$)	7.7480	+0.0005	475 - 485	7.7490	7.7390	7.818	-10.6	7.913	-8.5	8.409	-8.5	-
India	(Rs)	39.8850	+0.12	750 - 950	39.9100	39.8500	-	-	-	-	-	-	-
Israel	(Shk)	3.5691	+0.0027	661 - 727	3.5740	3.5603	-	-	-	-	-	-	-
Japan	(Y)	131.835	-1.24	800 - 870	132.950	131.290	131.24	5.4	130.17	5.1	125.295	5.0	118.5
Malaysia	(M$)	4.5903	-0.0597	855 - 950	4.6700	4.5600	4.5838	1.7	4.5965	-0.5	4.7903	-4.4	-
New Zealand	(NZ$)	1.7460	-0.0073	449 - 470	1.7560	1.7440	1.7491	-2.1	1.7545	-1.9	1.7733	-1.6	-
Philippines	(Peso)	43.5500	-0.25	500 - 500	44.3000	43.3000	44.174	-17.2	45.1795	-15.0	50.9415	-17.0	-
Saudi Arabia	(SR)	3.7513	-0.0007	510 - 516	3.7518	3.7509	3.753	-0.6	3.7558	-0.5	3.7698	-0.5	-
Singapore	(S$)	1.7700	-0.035	685 - 715	1.7985	1.7635	1.782	-8.1	1.796	-5.9	1.8525	-4.7	-
South Africa	(R)	4.9760	-0.0145	745 - 775	4.9940	4.9670	5.022	-11.1	5.0975	-9.8	5.401	-8.5	-
South Korea	(Won)	1764.00	+27	300 - 500	1766.00	1735.00	-	-	-	-	-	-	-
Taiwan	(T$)	34.3920	-0.1235	650 - 190	34.6000	53.9500	34.403	-0.4	34.4245	-0.4	34.5045	-0.3	-
Thailand	(Bt)	55.7250	-0.875	500 - 000	56.4000	53.3500	56.225	-10.8	57.475	-12.6	63.1	-13.2	-

† SDR rate per $ for Jan 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 12: Base average 1990=100
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

January 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3½	3¼	3¾	3¾	6.00	2.75	-
France	3¼	3¾	3½	3¾	3¾	4.60	-	3.30
Germany	3⅜	3⅜	3½	3⅝	3¾	4.50	2.50	3.30
Ireland	6¼	6¼	6	5½	4⅞	-	-	6.75
Italy	6¼	6¼	5⅞	5⅝	5¼	7.00	5.50	6.23
Netherlands	3½	3⅝	3⅞	3⅞	3⅞	-	2.75	3.30
Switzerland	1½	1¼	1½	1½	1½	-	1.00	-
US	5⅜	5⅞	5⅞	5⅞	5¾	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅞	5⅞	5⅞	5⅝	-	-	-
US Dollar CDs	-	5.37	5.37	5.37	5.39	-	-	-
ECU Linked Ds	-	4¼	4¼	4¼	4¼	-	-	-
SDR Linked Ds	-	3½	3½	3½	4¼	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3¾
Danish Krone	3⅞ - 3½	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞	4⅛ - 4⅛
German Mark	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3¼ - 3⅜	3⅝ - 3½	3⅞ - 3⅝
Dutch Guilder	3⅝ - 3¼	3¼ - 3⅛	3¼ - 3⅛	3¼ - 3⅝	3⅞ - 3½	3⅞ - 3¾
French Franc	3¼ - 3⅛	3½ - 3⅜	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3⅞	3⅞ - 3¾
Portuguese Esc.	5 - 4⅞	5⅛ - 5	5⅛ - 5	4⅞ - 4¾	4⅝ - 4½	4½ - 4⅜
Spanish Peseta	4⅞ - 4¾	4¾ - 4⅝	4¾ - 4⅝	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½
Sterling	7¼ - 6⅞	7¼ - 7⅛	7⅜ - 7¼	7½ - 7⅜	7½ - 7⅜	7½ - 7⅜
Swiss Franc	1½ - 1	1⅝ - 1½	1⅝ - 1½	1⅝ - 1½	1½ - 1⅜	1⅝ - 1½
Canadian Dollar	4½ - 4¼	4¼ - 4⅛	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾	4⅞ - 4¾
US Dollar	5⅞ - 5⅝	5⅞ - 5⅝	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾
Italian Lira	6¼ - 6	6⅛ - 6⅛	6⅛ - 6⅛	6 - 5⅞	5⅞ - 5⅞	5⅝ - 5⅝
Japanese Yen	⅝ - ½	⅝ - ½	⅝ - ⅝	⅝ - ½	⅝ - ⅝	½ - ¼
Asian $Sing	1½ - 1	14 - 6	19 - 11	15 - 10	13 - 9	13 - 9

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.34	96.37	-0.01	96.37	96.32	16,796	75,571
Jun	96.23	96.25	-0.01	96.25	96.20	9,573	44,091
Sep	96.13	96.15	-0.01	96.15	96.09	6,673	30,987

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.35	96.37	-	96.38	96.32	48370	354612
Jun	96.22	96.25	-	96.27	96.19	61154	346127
Sep	96.12	96.15	-	96.17	96.07	46012	236783
Dec	95.97	96.00	-	96.02	95.91	54131	216091

■ **ONE MONTH EUROMARK FUTURES** (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan		96.52	-0.02			0	966
Feb		96.50	-0.02			0	133
Mar		96.45	-0.01			0	150
Apr		96.44	-0.01			0	50

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.50	94.49	-0.03	94.54	94.47	41067	149226
Jun	95.31	95.30	-0.04	95.36	95.29	34702	131809
Sep	95.64	95.66	-0.02	95.69	95.64	11213	95137
Dec	95.69	95.73	+0.01	95.76	95.69	13173	110158

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.46	98.47	-0.05	98.48	98.41	11410	74687
Jun	98.35	98.37	-0.04	98.38	98.30	9224	37481
Sep	98.21	98.26	-0.04	98.26	98.18	3581	19030
Dec	98.05	98.08	-0.04	98.09	98.05	1718	9067

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		99.17	-0.01			0	n/a
Jun		99.31	-0.02			0	n/a
Sep		99.33	-0.01			0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.66	95.68	-	95.68	95.65	647	9159
Jun	95.68	95.72	+0.01	95.73	95.67	188	6554
Sep	95.69	95.74	-0.01	95.74	95.69	721	8323
Dec	95.83	95.89	+0.02	95.88	95.83	121	4075

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9425	0.32	1.07	1.45	0.08	0.02	0.04
9450	0.14	0.83	1.21	0.15	0.03	0.05
9475	0.06	0.61	0.97	0.32	0.06	0.06

Est. vol. total, Calls 4375 Puts 8300. Previous day's open int., Calls 160784 Puts 58305

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.23	4.847	1.938	4767	5.461	20.06	495.6	410.7	21.36	3.933	1.630	3.816	2.661	350.9	2.452
Denmark	(DKr)	54.17	10	8.793	2.626	1.050	2583	2.959	10.87	268.5	222.5	11.57	2.131	0.883	2.067	1.442	190.1	1.328
France	(FFr)	61.61	11.37	10	2.986	1.194	2937	3.365	12.36	305.4	253.0	13.16	2.423	1.004	2.351	1.640	216.2	1.511
Germany	(DM)	20.63	3.808	3.349	1	0.400	983.5	1.127	4.140	102.3	84.72	4.407	0.812	0.336	0.787	0.549	72.39	0.506
Ireland	(I£)	51.61	9.527	8.377	2.502	1	2460	2.819	10.36	255.8	212.0	11.02	2.030	0.841	1.970	1.374	181.1	1.266
Italy	(L)	2.098	0.387	0.340	0.102	0.041	100	0.115	0.421	10.40	8.614	0.448	0.083	0.034	0.080	0.056	7.360	0.051
Netherlands	(Fl)	18.31	3.380	2.972	0.888	0.355	872.9	1	3.674	90.75	75.19	3.911	0.720	0.298	0.699	0.487	64.24	0.449
Norway	(NKr)	49.84	9.200	8.089	2.416	0.966	2376	2.722	10	247.0	204.7	10.65	1.960	0.812	1.902	1.326	174.9	1.222
Portugal	(Es)	20.18	3.724	3.275	0.978	0.391	961.9	1.102	4.048	100	82.86	4.310	0.794	0.329	0.770	0.537	70.79	0.495
Spain	(Pta)	24.35	4.495	3.952	1.180	0.472	1161	1.330	4.886	120.7	100	5.201	0.958	0.397	0.929	0.648	85.44	0.597
Sweden	(SKr)	46.82	8.642	7.599	2.269	0.907	2232	2.557	9.394	232.0	192.3	10	1.842	0.763	1.787	1.246	164.3	1.148
Switzerland	(SFr)	25.42	4.693	4.126	1.232	0.493	1212	1.388	5.101	126.0	104.4	5.430	1	0.414	0.970	0.677	89.20	0.623
UK	(£)	61.36	11.33	9.959	2.974	1.189	2925	3.351	12.31	304.1	252.0	13.11	2.413	1	2.342	1.633	215.3	1.504
Canada	(C$)	26.20	4.837	4.253	1.270	0.508	1249	1.431	5.258	129.9	107.6	5.597	1.031	0.427	1	0.697	91.94	0.642
USA	($)	37.58	6.936	6.099	1.821	0.728	1791	2.052	7.539	186.2	154.3	8.026	1.478	0.612	1.434	1	131.8	0.921
Japan	(Y)	28.50	5.261	4.626	1.382	0.552	1359	1.557	5.719	141.3	117.0	6.088	1.121	0.465	1.088	0.759	100	0.699
Ecu	-	40.78	7.528	6.620	1.977	0.790	1944	2.227	8.183	202.1	167.5	8.711	1.604	0.665	1.556	1.085	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5497	0.5514	+0.0007	0.5542	0.5487	20,587	106,287
Jun	0.5553	0.5538	+0.0007	0.5563	0.5533	76	3,321
Sep	-	0.5581	+0.0007	0.5580	-	31	1,633

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7625	0.7597	-0.0038	0.7656	0.7577	27,463	91,239
Jun	0.7715	0.7683	-0.0040	0.7715	0.7676	1	2,170
Sep	-	0.7787	-0.0042	-	0.7777	1	326

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6907	0.6925	+0.0004	0.6962	0.6900	8,916	57,766
Jun	0.6920	0.6891	+0.0003	0.6922	0.6885	7	997
Sep	-	0.6956	+0.0002	0.6970	-	2	1,102

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6070	1.6168	+0.0100	1.6186	1.6064	6,587	33,588
Jun	1.6040	1.6094	+0.0100	1.6100	1.6030	28	1,333
Sep	-	1.6024	+0.0100	1.6040	-	2	5

EMS EUROPEAN CURRENCY UNIT RATES

Jan 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.793444	+0.002878	-0.66	3.32	4
Italy	1906.48	1943.69	+3.24	1.95	0.67	-14
Spain	163.826	167.469	+0.254	2.22	0.41	-15
Finland	5.85424	5.98576	+0.01178	2.26	0.38	-15
Portugal	197.398	202.086	+0.33	2.37	0.26	-16
Denmark	7.34555	7.52593	+0.01511	2.46	0.18	-17
France	6.45863	6.61780	+0.01387	2.46	0.17	-21
Austria	13.5485	13.9034	+0.0252	2.62	0.02	-19
Germany	1.92573	1.97642	+0.00376	2.63	0.01	-26
Netherlands	2.16979	2.22698	+0.00411	2.64	0.00	-20
Belgium	39.7191	40.7671	+0.0747	2.64	0.00	-19
NON ERM MEMBERS						
Greece	295.269	311.763	+0.003	5.59	-2.80	-
UK	0.793103	0.664024	-0.008419	-16.28	22.59	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.630	0.43	1.48	2.10	1.28	2.51	3.33
1.640	0.18	1.12	1.72	2.04	3.14	3.95
1.650	0.11	0.82	1.39	2.85	3.84	4.61

Previous day's vol., Calls 230 Puts 11. Prev. day's open int., Calls 28,389 Puts 22,587

■ **PHILADELPHIA SE D-MARK/$ OPTIONS** DM62,500 ($ per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.545	0.57	1.02	1.32	0.09	0.45	0.68
0.550	0.25	0.73	1.04	0.27	0.67	0.90
0.555	0.09	0.51	0.80	0.59	0.95	1.17

Previous day's vol., Calls 80 Puts 25. Prev. day's open int., Calls 8,587 Puts 17,992

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.48	94.48	+0.11	94.50	94.44	207,009	518,840
Jun	94.39	94.50	+0.12	94.59	94.53	225,245	413,554
Sep	94.52	94.61	+0.12	94.72	94.55	127,175	292,805

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.37	95.34	-0.02	95.48	95.28	2,200	8,257
Jun	95.49	95.41	-0.01	95.53	95.37	128	1,819
Sep	95.45	95.40	-0.01	95.47	95.36	10	40

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9625	0.14	0.15	0.16	0.15	0.02	0.03	0.04	0.15
9650	0.01	0.03	0.04	0.05	0.14	0.16	0.17	0.30
9675	0	0.01	0.01	0.02	0.38	0.38	0.39	0.52
9700	0	0	0	0.01	0.63	0.63	0.64	0.75

Est. vol. total, Calls 13393 Puts 2486. Previous day's open int., Calls 274256 Puts 321033

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9850	0.11	0.14	0.16	0.14	0.17	0.29
9875	0.04	0.05	0.05	0.32	0.43	0.54

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 300 Puts 1895

UK INTEREST RATES

LONDON MONEY RATES

Jan 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8¼ - 6¾	7¼ - 7	7⅜ - 7¼	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½
Sterling CDs	-	-	7⅜ - 7¼	7⅜ - 7½	7½ - 7⅜	7½ - 7⅜
Treasury Bills	-	-	7¼ - 7⅛	7¼ - 7⅛	-	-
Bank Bills	-	-	7⅜ - 7¼	7⅜ - 7¼	7¼ - 7⅛	-
Local authority deps.	7¼ - 7	7¼ - 7⅛	7⅜ - 7¼	7½ - 7⅜	7½ - 7⅜	7½ - 7⅜
Discount Market deps	7¼ - 7¼	7⅜ - 7¼				

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jan 9, 6.8208pc. ECGD fixed rate Stg. Export Finance. Make up day Dec 31, 1997. Agreed rate for period Jan 26, 1998 to Feb 24, 1998, Scheme III 8.95pc. Reference rate for period Nov 29, 1997 to Dec 31, 1997, Schemes IV & V 7.708pc. Finance House Base Rate 8pc from Jan 1, 1998

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.64	92.58	-0.04	92.67	92.59	32167	141690
Jun	92.78	92.80	-0.05	92.81	92.74	38675	121169
Sep	92.95	92.97	-0.05	92.98	92.90	30892	99471
Dec	93.14	93.13	-0.06	93.14	93.05	28181	87903
Mar	93.33	93.29	-0.09	93.33	93.22	12426	75485

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9250	0.22	0.39	0.58	0.08	0.09	0.11
9275	0.08	0.23	0.40	0.17	0.18	0.18
9300	0.02	0.12	0.26	0.36	0.32	0.29

Est. vol. total, Calls 8825 Puts 17126. Previous day's open int., Calls 189425 Puts 162893

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	•Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	•Smith & Williamson	7.25
•Henry Ansbacher	7.25	•Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	Girobank	7.25	TSB	7.25
Bank of Cyprus	7.25	•Guinness Mahon	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	Habib Bank AG Zurich	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	•Hambros Bank	7.25	Western Trust	7.25
Bank of Scotland	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Barclays Bank	7.25	•C. Hoare & Co	7.25	Yorkshire Bank	7.25
Brit Bk of Mid East	7.25	Hongkong & Shanghai	7.25		
•Brown Shipley & Co Ltd	7.25	Investec Bank (UK) Ltd	7.25	• Members of London Investment Banking Association	
Citibank NA	7.25	Julian Hodge Bank	7.25	* In administration	
Clydesdale Bank	7.25	•Leopold Joseph & Sons	7.25		
The Co-operative Bank	7.25	Lloyds Bank	7.25		
Coutts & Co	7.25	Midland Bank	7.25		
Cyprus Popular Bank	7.25	NatWestminster	7.25		
Duncan Lawrie	7.25	•Rea Brothers	7.25		
		Royal Bk of Scotland	7.25		
		•Scottish Widows Bank	7.25		

Oil rises on latest moves by Baghdad

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Gary Mead

Events in Iraq proved to be the main factors affecting oil prices yesterday. The fresh confrontation between Baghdad and the UN over the composition of the latest international arms inspection team sent to the country pushed up oil prices in early trading. At one point Brent Blend for February delivery was quoted as high as $15.72, up 49 cents on Monday's close.

But news that Iraq intends to export substantially more oil during the next phase of the UN sponsored oil-for-food programme reinforced the decidedly bearish fundamental position of the market in recent days.

Iraq estimates it will sell 150m barrels in the 180-day third phase of the programme, compared with 127m barrels last time, because of lower prices. In late trading on London's International Petroleum Exchange Brent had fallen back to $15.52 a barrel.

Fears about Russian supplies pushed up the price of palladium, a metal essential for some electronic components and automotive anti-pollution catalysts, by more than 5 per cent.

Palladium closed in London up $11.90 a troy ounce at $236.90. The price has risen by 15 per cent so far in 1998.

Last year Russia, which accounts for about 60 per cent of palladium supply, failed to export any in the first six months because of bureaucratic hold-ups. This sent palladium to an 18-year high of $245 in August.

There was concern yesterday that history might be repeated after Sergei Gorny, deputy director of Almaz, Russia's sole precious metals export agency, said it was still waiting for a government decree outlining quotas, so he did not know when talks would start with Japanese consumers about 1998 deliveries. The talks usually take place in mid-December.

On the Tokyo Commodity Exchange the benchmark December palladium contract surged by its daily limit of Y36 a gramme to a record Y903, well ahead of the previous record of Y868. Dealers suggested trading houses were buying palladium and private investors buying back short positions.

On the London Metal Exchange most metals recovered from Monday's sharp falls. The exception was lead, which was unchanged at $545.50 a tonne after a 4.2 per cent drop on Monday.

Abundant deliveries of cocoa beans to Ivory Coast ports, taken by specialists to indicate the near-certainty of a bumper crop for 1997-98, helped push cocoa futures down even further on the London International Financial Futures Exchange, where the leading contract, March, closed £13 lower at £1,011 a tonne.

Cocoa futures on Liffe have now shed 12 per cent in less than a month. Shipment of Ivory Coast cocoa beans to local ports has been running at 60,000 tonnes a week for the past five weeks, similar to the level for the same period in the 1995-96 season, which produced a record 1.2m tonnes harvest.

Coffee futures on Liffe ended slightly firmer, March finishing $12 higher to close at $1,734 a tonne, but the rally was deceptive, as volumes were thin (a total of just 2,269 lots) and traders were marking time, awaiting fresh news to move the market in a clearer direction.

USDA lifts world grain stock estimates

By Nikki Tait in Chicago

Weaker import demand, partly because of Asian turmoil, coupled with bigger than expected production from some regions, has caused the US Department of Agriculture to raise its estimate of world grain stocks for 1997-98.

In its first monthly World Agricultural Supply and Demand Estimates report this year, USDA increased its forecast for 1997-98 year-end grain stocks to 293.2m tonnes, from 290m tonnes previously. Total production was scaled up from 1,873.7m to 1,881m tonnes.

USDA said estimates of global wheat production had been raised to just over 608m tonnes, from 604.6m tonnes, because of a bigger Chinese crop and some improvement in the Australian outlook.

On the coarse grain production front, increased supply from eastern Europe, Ukraine and Argentina more than offset any prospective shortfall in South Africa, while projected imports from south-east Asia were lower.

Global oilseed production is projected at a record 281m tonnes, up 1.5m tonnes from last month and nearly 22m tonnes higher than last year, mainly due to a larger Brazilian soyabean crop and some increase in Chinese production estimates.

The report was particularly pessimistic about the livestock and poultry markets, saying that supplies of meat in the domestic US market were projected to be "record large", while export prospects "continue to dim".

Hong Kong "bird flu" would have an impact on poultry meat exports, while the poor economic conditions in Japan and Korea and the US dollar's relative strength would reduce export demand. Prices for such products this year "will be weaker than previously forecast", suggested USDA.

Nevertheless, the report was still seen as bullish for US grain markets, prompting prices of wheat and corn contracts to rise on the Chicago Board of Trade.

Dealers pointed out that USDA cut its projection for US corn stocks at 1997-98 year-end by a sharp 109m bushels to 844m, saying the revision reflected larger domestic use, which more than offset the increase in production and reduction in exports.

Its report also highlighted a reduction in acreage planted to winter wheat by US farmers – probably because they are switching to more profitable crops, such as soyabeans.

USDA projected 1998 winter wheat seedings in the US at 46.6m acres, about 4 per cent below the 1997 figure, and one of the smallest acreages in more than two decades. Trade estimates had stood at around 49.4m acres.

Swine fever spreads in Spain

By David White in Madrid

Spain is seeking further European Union aid in an effort to contain the spread of swine fever, which has already led to the slaughtering of more than 800,000 pigs, almost 5 per cent of the country's total.

Loyola de Palacio, agriculture minister, recognised yesterday that Spain faced a "serious problem" since it had not been able to restrict the disease to the north-east Catalonia region, where it first broke out last year.

Roughly Pta19bn ($123m) worth of aid from the EU and central and regional authorities has been paid so far in compulsory and voluntary slaughtering programmes, mainly in Catalonia and more recently the Segovia area north-east of Madrid.

Authorities yesterday confirmed an outbreak of classic swine fever near Toledo, south-east of the capital, where 1,000 animals were destroyed as a precautionary measure last week.

Ms de Palacio said the disease was being being "brought under control", and hoped Segovia would be declared free of the disease in a matter of weeks. But a zone of central Spain would have to be sealed off, since the government was anxious that the EU should not impose an export ban on the whole country. It was not clear how the disease had spread, she said.

Spain hopes the EU will not impose an export ban on the whole country — Malcolm Watson

Her comments coincided with a meeting of the EU's permanent veterinary committee in Brussels.

Portugal recently extended its restrictions on imports of pigs and pigmeat from Spain to cover the whole of Spain's Castile and Leon region, which includes Segovia.

Ms de Palacio said the authorities had to count on full co-operation from pig farmers. This had not been sufficiently forthcoming in the early stages in the north-east. The disease was first confirmed in March last year, in the wake of an epidemic in the Netherlands, which normally exports suckling pigs to Spain. EU decided to ban sales from the affected region in April.

Classic swine fever is not considered harmful to consumers, unlike African swine fever, which hit Spain in 1960 and led to an export ban lasting almost 30 years. A total of some 3.5m animals are reckoned to have been slaughtered because of African swine fever. Spain was not officially declared free of the disease until just over two years ago.

The agriculture ministry in Madrid said it was unable to provide exact figures on the disease and the eradication programme, saying that this was the responsibility of the different regional governments.

Orange juice futures lifted by Brazilian reports

By Gary Mead

Reports from Brazil that the country may harvest a significantly reduced orange crop in 1998-99 have prompted a 9 per cent jump in orange juice futures prices on the New York Cotton Exchange since the start of this week, but some analysts believe the market has overreacted.

The president of Abecitrus, the association of Brazil citrus processors, said on Monday that the current season's harvest – which normally begins in June/July – will show a big drop from the 1997-98 level, which is forecast to reach a record 467m 90lb boxes, itself 12 per cent up on 1996-97. Some traders have speculated that the 1998-99 crop could be as low as 300m boxes.

The suggestion of a much lower Brazilian crop led the March orange juice future on the New York Cotton Exchange to jump 7.6 cents to 89.65 cents a pound on Monday.

However, Judy Ganes, analyst with Merrill Lynch, said the market response was premature, adding: "Any rally in prices now will only slow consumption."

The US is in any case currently awash in a sea of frozen concentrated orange juice, with stocks of more than 124m gallons reported by the Florida Citrus Processors Association last week.

Several factors may bring about a smaller Brazilian crop in 1998-99. Orange trees have been blighted – although precisely to what extent is not yet clear – by a plant virus, and bad weather at the start of the growing season, in August/September 1997, has also affected the new crop.

A further complication is that Citrosuco, Brazil's second-largest orange juice processor, yesterday suspended operations at one of its two plants in the state of São Paulo.

Some specialists believe the prime factor behind Citrosuco's decision to suspend processing is Brazil's large carry-over stock at the start of the 1998-99 season, of perhaps as much as 223,000 tonnes. Brazilian frozen concentrated orange juice production is also at new high levels, having reached 1.22m tonnes by December 1997, some 34 per cent higher than at the same point in the previous season.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1474.5-5.5	1501-2
Previous	1444-45	1472-72.5
High/low		1508/1480
AM Official	1459-59.5	1485.5-86
Kerb close		1504-5
Open int.	272,871	
Total daily turnover	96,147	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1318-23	1340-42
Previous	1313-18	1333-35
High/low		1347/1335
AM Official	1310-15	1332-33
Kerb close		1347-50
Open int.	5,285	
Total daily turnover	1,439	

■ LEAD ($ per tonne)

Close	550-1	549-50
Previous	541.5-2.5	548.5-9.5
High/low		555/545
AM Official	542-3	547-8
Kerb close		547-8
Open int.	31,917	
Total daily turnover	9,252	

■ NICKEL ($ per tonne)

Close	5625-35	5720-30
Previous	5580-90	5680-90
High/low		5730/5675
AM Official	5575-80	5675-80
Kerb close		5700-05
Open int.	58,020	
Total daily turnover	19,373	

■ TIN ($ per tonne)

Close	5190-200	5215-20
Previous	5090-100	5120-25
High/low		5230/5125
AM Official	5140-45	5165-70
Kerb close		5230-35
Open int.	15,063	
Total daily turnover	5,217	

■ ZINC, special high grade ($ per tonne)

Close	1084.5-5.5	1108-9
Previous	1051.5-52.5	1076-77
High/low		1125/1083
AM Official	1058-59	1082-83
Kerb close		1124-5
Open int.	77,272	
Total daily turnover	19,940	

■ COPPER, grade A ($ per tonne)

Close	1681.5-2.5	1711-2
Previous	1630-31	1660-61
High/low		1722/1670
AM Official	1641.5-42	1671.5-72
Kerb close		1710-11
Open int.	148,816	
Total daily turnover	64,948	

■ LME AM Official £/$ rate: 1.6352
LME Closing £/$ rate: 1.6325

Spot: 1.6325 3 mths: 1.6255 6 mths: 1.6184 9 mths: 1.6118

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	76.10	+2.10	76.60	74.30	1,058	1,368
Feb	76.50	+2.10	77.00	74.40	456	2,912
Mar	76.90	+2.10	77.70	74.80	5,957	38,799
Apr	77.30	+2.05	77.70	77.40	81	1,643
May	77.75	+2.00	78.40	76.10	359	5,616
Jun	78.15	+1.95	78.60	78.25	24	1,699
Total					8,726	71,798

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	280.40-280.90		
Opening	278.50-278.90		
Morning fix	279.05	170.621	411.599
Afternoon fix	279.50	170.666	411.284
Day's High	281.80-282.20		
Day's Low	278.50-278.90		
Previous close	278.40-278.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.64 6 months 3.66
2 months ....3.64 12 months 3.67
3 months 3.64

Silver Fix	p/troy oz.	US cts equiv.
Spot	341.90	559.00
3 months	342.10	556.90
6 months	342.70	555.50
1 year	343.15	551.90

Gold Coins	$ price	£ equiv.
Krugerrand	279.50-282.50	171-173
Maple Leaf	-	-
New Sovereign	65.00-68.00	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	283.3	+5.0	-	-	-	-
Feb	283.8	+4.9	284.2	277.5	26,782	100.8k
Apr	285.1	+4.7	285.5	279.0	2,761	17,335
Jun	286.8	+4.7	287.2	281.5	556	12,251
Aug	288.6	+4.7	289.0	285.0	425	5,611
Oct	290.3	+4.7	-	-	350	3,205
Total					31,693	195,802

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	375.2	+10.1	370.0	363.0	71	145
Apr	372.2	+10.6	374.0	356.2	659	10,339
Jul	369.2	+10.6	370.0	353.0	72	615
Oct	368.2	+10.6	356.0	356.0	72	232
Total					814	11,340

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	236.40	+12.00	236.40	229.00	436	3,092
Jun	233.15	+12.00	233.15	225.00	39	605
Sep	230.15	+12.00	-	-	1	-
Total					476	3,701

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	565.3	+21.3	555.0	552.0	106	128
Feb	567.0	+21.0	551.0	551.0	3	4
Mar	568.5	+21.0	569.5	536.5	20,215	59,991
May	569.5	+21.5	570.5	543.0	638	7,824
Jul	569.2	+21.5	570.0	542.0	202	7,683
Sep	569.0	+21.5	558.0	552.5	59	1,638
Total					21,456	92,061

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	16.65	+0.18	16.85	16.48	55,839	88,473
Mar	16.84	+0.16	17.02	16.68	36,062	73,748
Apr	17.04	+0.15	17.20	16.89	11,481	37,298
May	17.25	+0.15	17.40	17.20	6,855	27,474
Jun	17.49	+0.18	17.61	17.39	8,223	38,630
Jul	17.74	+0.25	17.74	17.67	4,585	20,544
Total					130,839	437,366

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	15.66	+0.33	15.72	15.45	23,134	44,091
Mar	15.86	+0.24	15.73	15.56	26,151	77,473
Apr	15.87	+0.27	16.00	15.75	6,218	23,437
May	16.09	+0.26	16.09	15.93	1,485	15,916
Jun	16.26	+0.25	16.29	16.13	1,300	20,390
Jul	16.44	+0.25	16.45	16.27	786	11,539
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	46.50	+0.29	46.95	46.15	20,043	56,883
Mar	47.05	+0.24	47.45	46.65	11,572	30,981
Apr	47.55	+0.34	47.80	47.11	3,158	16,615
May	47.80	+0.24	48.15	47.50	2,290	10,518
Jun	48.20	+0.39	48.45	47.80	2,682	14,611
Jul	48.75	+0.44	48.96	48.50	1,631	8,177
Total					42,959	167,534

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	142.75	+2.00	143.25	142.00	8,540	30,510
Mar	144.25	+1.50	144.50	143.75	3,470	13,297
Apr	145.75	+1.00	146.25	145.75	1,865	8,847
May	147.75	+1.00	148.25	147.50	1,670	3,995
Jun	149.50	+1.00	150.00	149.25	1,124	11,889
Jul	151.50	+1.00	152.00	151.50	422	3,381
Total					17,108	93,951

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Feb	14.030	+0.550	14.050	14.000	75	3,445
Mar	10.730	+0.130	10.750	10.600	150	2,100
Total					745	11,770

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.070	+0.068	2.085	1.970	16,109	38,777
Mar	2.065	+0.061	2.080	1.980	6,469	27,316
Apr	2.060	+0.043	2.075	2.000	3,263	13,569
May	2.075	+0.043	2.080	2.015	1,811	11,068
Jun	2.090	+0.033	2.095	2.050	1,674	10,357
Jul	2.120	+0.035	2.120	2.080	857	10,422
Total					26,162	192,023

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	52.30	+0.27	52.70	52.00	16,077	34,578
Mar	52.75	+0.37	53.10	52.40	8,454	20,359
Apr	55.00	+0.24	55.40	54.75	4,287	18,703
May	55.30	+0.49	55.55	54.85	2,038	11,751
Jun	55.00	+0.49	55.30	54.70	441	8,526
Jul	54.65	+0.69	54.85	54.65	857	7,379
Total					31,590	108,511

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	79.25	-0.45	-	-	-	45
Mar	81.00	-0.70	81.00	80.60	216	3,014
May	83.00	-0.70	83.05	82.65	392	3,616
Jul	85.00	-0.70	85.00	84.65	30	487
Sep	81.15	+0.15	-	-	-	38
Total					661	8,309

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	334.00	+12.25	341.75	321.75	10,138	58,381
May	341.50	+12.75	348.75	328.50	2,972	14,201
Jul	349.75	+13.50	356.25	336.00	1,777	21,013
Sep	355.50	+12.00	359.00	353.50	278	1,317
Dec	367.25	+12.75	374.50	366.00	216	3,060
Jul	358.00	-	358.00	357.00	25	23
Total					15,361	97,995

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.25	+12.00	270.25	257.50	32,454	161,624
May	276.25	+12.00	276.25	263.25	7,381	55,801
Jul	280.75	+12.00	280.75	267.75	6,471	64,111
Sep	278.50	+10.00	280.50	268.00	540	9,194
Dec	279.00	+7.00	283.75	271.00	2,904	35,773
Mar	285.00	+7.00	288.00	282.00	106	1,664
Total					49,887	328,345

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	74.00	-	-	-	-	45
Mar	76.25	-	-	-	-	1,410
May	77.25	-	-	-	-	20
Sep	78.25	-	-	-	-	8
Total						1,648

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	671.00	+6.25	683.00	668.50	1,779	3,539
Mar	672.75	+7.50	689.00	665.00	26,712	58,795
May	677.50	+7.75	694.00	667.50	2,837	26,779
Jul	681.25	+9.00	694.00	672.00	2,919	27,216
Aug	679.75	+8.25	689.00	679.00	267	4,793
Sep	665.25	+7.75	665.00	665.00	25	388
Total					35,642	132,936

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	24.52	+0.14	24.70	24.41	827	1,367
Mar	24.85	+0.18	25.02	24.67	11,528	57,700
May	25.19	+0.22	25.25	25.02	1,841	19,178
Jul	25.37	+0.29	25.40	25.15	1,306	14,207
Aug	25.33	+0.31	25.32	24.95	374	4,353
Sep	25.17	+0.24	-	-	78	1,736
Total					16,591	102,156

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	198.4	+1.7	203.0	197.0	3,596	8,434
Mar	196.8	+2.2	203.0	194.8	12,715	45,616
May	196.4	+1.6	203.0	194.6	2,637	26,203
Jul	198.1	+1.5	203.0	197.2	3,426	18,040
Aug	198.7	+1.4	202.0	198.3	239	6,960
Sep	199.0	+2.0	201.5	199.0	328	4,415
Total					23,220	114,669

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	86.0	+1.0	-	-	-	-
Apr	106.0	+1.0	106.0	100.0	60	1,048
May	116.0	+1.0	115.5	115.5	-	62
Jun	125.0	+1.0	-	-	-	-
Nov	54.0	-	-	-	-	-
Total					67	1,153

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1160	-20	1170	1155	50	643
Feb	1150	-25	1160	1150	15	195
Mar	1180	-10	1180	1180	65	168
Apr	1235	-20	1240	1235	36	488
Jul	1100	-20	1112	1100	32	123
Total						

	Close	Prev
BFI		1221

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	474.75	-3.50	480.00	474.75	87	405
Jun	494.50	-2.50	499.00	494.50	45	294
Total					132	699

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin

European free market, $ per lb, in warehouse, unless otherwise stated (last week's in brackets, where changed). **Antimony:** 99.65%, $ per tonne, 1,550-1,620 (1,540-1,610). **Bismuth:** min. 99.99%, tonne lots 3.00-3.20 (3.00-3.25). **Cadmium:** min. 99.99%, cents a pound, 30.00-35.00 (30.00-40.00). **Cobalt:** MB free market, min. 99.8%, 25.00-26.50; min. 99.3%, 17.60-18.30 (17.60-18.40). **Mercury:** min. 99.99%, $ per 76 lb flask, 140-150. **Molybdenum:** drummed molybdic oxide, 3.80-3.85 (3.80-3.95). **Selenium:** min 99.5%, 2.00-3.00. **Tungsten ore:** standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-52. **Vanadium:** min. 98%, CIF, 5.85-6.15 (5.50-5.80). **Uranium:** Nuexco unrestricted exchange value, 9.65.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1012	-12	1024	1011	3,967	62,565
May	1037	-13	1048	1036	1,679	24,748
Jul	1058	-13	1069	1058	537	12,333
Sep	1079	-14	1090	1079	856	23,640
Dec	1107	-12	1117	1107	670	27,429
Mar	1133	-11	1144	1134	1,127	18,456
Total					9,191	183,669

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1536	-	1553	1528	7,364	34,310
May	1572	-5	1588	1565	1,242	23,417
Jul	1602	-4	1615	1599	395	5,667
Sep	1635	+3	1647	1630	77	5,591
Dec	1663	-1	1679	1660	183	9,697
Mar	1694	-15	1705	1689	13	9,064
Total					9,362	91,345

■ COCOA (ICCO) (SDR's/tonne)

Jan 12	Price	Prev. day
Daily	1218.75	1243.70

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1773	+15	1770	1755	182	3,136
Mar	1733	+13	1738	1715	1,580	24,762
May	1715	+11	1721	1697	458	9,291
Jul	1705	+11	1708	1689	49	1,912
Sep	1700	+17	-	-	-	844
Nov	1700	+11	-	-	-	46
Total					2,269	39,991

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	164.45	-	167.00	158.75	5,928	15,522
May	159.75	+4.25	162.00	155.00	1,321	6,222
Jul	154.40	+3.65	155.00	150.00	203	2,838
Sep	148.90	+4.40	149.50	144.50	273	1,530
Dec	144.15	+4.15	142.50	140.50	232	1,370
Mar	140.65	+4.15	138.00	138.00	26	301
Total					7,983	27,813

■ COFFEE (ICO) (US cents/pound)

Jan 12		Prev. day
Comp. daily	125.36	127.53
15 day average	127.11	127.79

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	298.7	+0.2	301.3	298.5	2,814	21,893
May	302.6	+0.7	304.2	302.4	908	9,153
Aug	305.5	+1.0	306.6	305.2	559	5,068
Oct	300.5	+0.5	301.8	300.7	207	4,929
Dec	303.6	+0.4	305.0	304.2	11	235
Total					4,052	41,626

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	11.51	-	11.59	11.48	34,616	88,582
May	11.35	+0.09	11.39	11.31	11,846	40,296
Jul	11.17	+0.05	11.20	11.13	4,882	28,013
Oct	11.16	+0.03	11.18	11.12	3,345	31,928
Mar	11.14	+0.03	11.14	11.11	855	7,160
May	11.10	-0.01	11.11	11.07	151	1,585
Total					55,832	200,704

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	65.46	-1.55	66.40	65.20	4,784	38,069
May	66.66	-	67.65	66.65	1,895	15,203
Jul	68.21	-0.12	69.05	68.05	1,346	15,198
Oct	70.33	-0.45	71.00	70.31	238	1,794
Dec	71.65	-0.40	72.40	71.60	1,123	15,126
Total					9,405	88,686

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	87.60	-2.05	90.95	87.20	3,764	19,918
May	90.70	+0.45	93.50	90.40	486	5,842
Jul	93.80	+0.35	96.10	93.50	132	4,266
Sep	96.85	+0.40	-	-	97	2,029
Nov	99.60	+0.40	99.10	99.10	51	1,818
Jan	102.35	+0.40	102.00	101.50	16	594
Total					4,565	36,595

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 13	Jan 12	month ago	year ago
1717.6	1721.3	1785.0	1891.8

■ CRB Futures (Base: 1967 = 100)

Jan 12	Jan 9	month ago	year ago
222.60	223.33	-	-

■ GSCI Spot (Base: 1970 = 100)

Jan 12	Jan 9	month ago	year ago
167.27	168.46	181.11	219.04

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+825	to	617,750
Aluminium alloy	+20	to	42,680
Copper	-225	to	340,775
Lead	+950	to	112,025
Nickel	+114	to	65,928
Zinc	+2,425	to	491,500
Tin	-100	to	13,045

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	65.150	+0.975	65.200	63.675	5,406	40,356
Apr	67.700	+1.150	67.950	65.950	3,734	32,826
Jun	68.250	+0.975	68.450	66.950	2,095	21,026
Aug	69.175	+0.850	69.225	68.075	725	7,568
Oct	71.475	+0.850	71.500	70.400	181	2,538
Dec	72.300	+0.700	72.300	71.250	42	526
Total					12,103	104,857

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	57.900	+0.300	58.125	57.150	4,538	21,503
Apr	56.750	+0.425	56.950	56.050	2,413	11,761
Jun	64.550	+0.425	64.675	63.950	1,754	7,885
Jul	64.250	+0.375	64.500	63.825	492	2,535
Aug	62.300	+0.300	62.350	61.850	70	823
Oct	59.225	+0.350	59.225	58.800	112	977
Total					9,411	45,807

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	50.025	-0.425	50.550	49.600	1,487	5,285
Mar	49.500	+0.125	49.800	49.100	786	1,615
May	50.450	-0.175	50.750	50.150	179	1,209
Jul	50.700	-0.550	50.800	50.000	35	754
Aug	47.050	-	47.200	47.050	11	128
Total					2,498	9,024

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1450	51	92	12	34
1500	35	64	33	55
1550	8	42	67	83

■ COPPER (Grade A) LME	Feb	May	Feb	May
1650	62	112	20	43
1700	34	84	41	64
1750	16	61	73	90

■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1650	116	145	33	80
1700	86	120	53	105
1750	64	100	81	135

■ COCOA LIFFE	Mar	May	Mar	May
1025	21	52	34	40
1050	15	42	53	55
1075	10	33	73	71

■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
1600	-	41	-	-
1650	-	25	-	115
1700	-	14	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$13.25-3.40	+0.26
Brent Blend (dated)	$14.97-5.03	-0.015
Brent Blend (Feb)	$15.44-5.50	+0.05
W.T.I.	$16.52-6.54	-0.08

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$173-175	+1
Gas Oil	$143-145	+2
Heavy Fuel Oil	$70-72	-3
Naphtha	$157-158	+1
Jet fuel	$162-164	
Diesel	$148-149	+1

■ NATURAL GAS (Pence/therm)		
Bacton (Feb)	13.60-14.00	+0.35

Petroleum Argus. Tel. London (0171) 359 8792

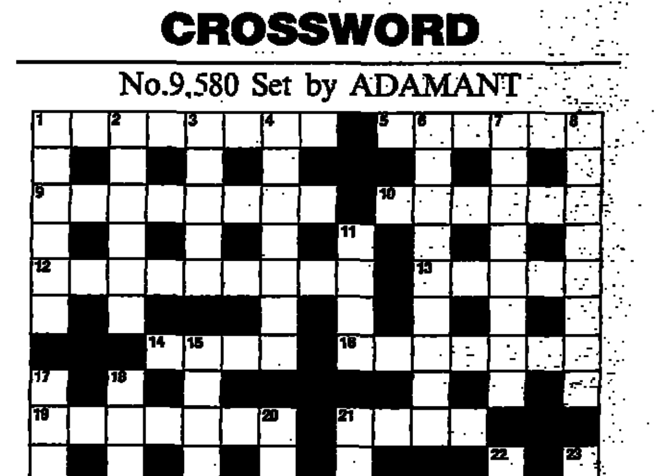
■ OTHER		
Gold (per troy oz)♣	$280.65	+2.00
Silver (per troy oz)♣	561.00c	+10.0
Platinum (per troy oz.)	$360.50	-0.50
Palladium (per troy oz.)	$232.00	+15.5
Copper	82.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	20.61r	
Tin (New York)	247.5	-3.0
Cattle (live weight)	91.15p	-2.07*
Sheep (live weight)	84.15p	-5.48*
Pigs (live weight)†	63.98p	-3.54*
Lon. day sugar (raw)	$279.70	-6.40
Lon. day sugar (wte)	$297.20	-2.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	42.75p	
Rubber (Mar)♥	42.75p	
Rubber (KL RSS No1)	290.50z	+4.5
Coconut Oil (Phil)§	610.0y	
Palm Oil (Malay.)§	585.0	
Copra (Phil)§	$387.5y	-7.5
Soyabeans (US)	182.0	
Cotton Outlook'A' index	71.60c	-0.45
Wooltops (64s Super)	385p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Feb. w Jan. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,434 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,580 Set by ADAMANT



A sort of general knowledge puzzle. Asterisked clues have no definition, but share a theme.

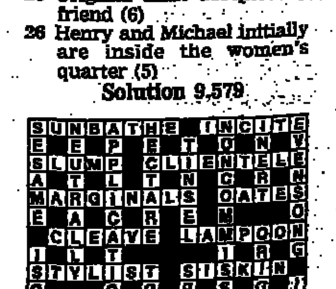
ACROSS

1 *Does he spring around? (8)
5 *The water comes back into the vehicle (6)
9 *The French say no to harbouring an East European (8)
10 *Water supply back on? About time! (6)
12 *Diminutive queen and her husband (9)
13 Note the change of dentures (5)
14 Like the remains of a fair fling (4)
16 *The second girl's husband (7)
19 *Working on any bell (7)
21 *To hold it (4)
24 *Acts soft heartedly and provides coke (5)*
25 *Twisted her neck round it (9)
27 *Head girl or a fellow (6)
28 A self-evident truth about leading liberal and his lack of self interest (8)
29 *A short sleep? That is right (6)
30 *Worm crawling around in small room (8)

DOWN

1 Shut up for one day or five years (6)
2 Arm the gunners on the jetty (6)
3 Loud shout for some alcohol – lager would do (5)
4 Twelve will do on any sort of exchange (7)
6 Some people at the edges of the flat (9)
7 Established conditions for puzzle makers holding final diagram (3,5)
8 Top rider longing to take in new method of stock control (8)
11 Most of those from Dublin can make a bloomer (4)
15 Stands around on one type of rock (9)
17 *A road the retiring soldier can hold (8)
18 Cold drink, then gin? Nonsense (8)
20 Mark of slavery that in olden days you would accept all right (4)
21 Rough trial involved organisation that is brotherly in name (7)
22 Needing daughter to leave off working on the machine (6)
23 Original limit accepted by friend (6)
26 Henry and Michael initially are inside the women's quarter (5)

Solution 9,579



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Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Init Notes Charge | Selling Price | Buying Price | + or - | Yield Gr's

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)

Bank of Cyprus Group

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (u)

BT&T Asset Management (Ireland) Ltd

BZW Secured Equity Fund II Plc

Bank of Ireland Unit Managers Ltd

Barclays Global Investors Ireland Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (FSA RECOGNISED)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

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American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 404646211

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Ptflo			Ecu25.42			-
European Multinational Ptflo			$27.64			-
European Multinational Ptflo			£17.13			-
European Multinational Ptflo			L49358			-
European Multinational Ptflo			DM50.17			-
Global Multinational Ptflo			Ecu23.13			-
Global Multinational Ptflo			$25.15			-
Global Multinational Ptflo			£15.59			-
Global Multinational Ptflo			L44919			-
Global Multinational Ptflo			DM45.65			-
US Growth Companies			$16.77			-
US Growth Companies			£10.30			-
US Growth Companies			L29947			-
US Growth Companies			DM30.43			-
US Real Estate Securities			$19.41			-
US Real Estate Securities			£10.42			-
US Real Estate Securities			L30028			-
US Real Estate Securities			DM30.52			-

BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

	Selling Price	Buying Price	+ or -	Yield Gr's
Intermarket NAV Dec 15 F	9676.66		+0.66	-

Bank Von Ernst & Cie AG
Marktgasse 63/65, 3001 Berne, Switzerland 0041 313291111

	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity	£18.27		+0.05	-
UK Smaller Co's Eqty	£27.75		-0.25	-
Nth American Equity	$17.25		-0.09	-
US Smaller Co's Eqty	$24.38		+0.17	-
Pacific Basin Equity	$9.20		-0.45	-
Japanese Equity	¥451			-
European Equity	[illegible]		-1.00	-
Swiss Equity	[illegible]		-0.50	-
Sterling Fixed Int	£16.37		+0.02	-
Sterling Fixed Int Div	£10.45			-
European Fixed Int	DM14.29		+0.03	-
European Fixed Int Div	DM9.53		+0.03	-
DM Bond Cap	DM14.45		+0.03	-
DM Short Term Cap	DM10.29			-
Global Equity	$14.93		+0.54	-
Global Bond	$13.82		-0.01	-
Global Bond Div	$9.39		-0.10	-

Foreign & Colonial Emerging Markets Ltd (u)
Exchange Ho, Primrose St, Ldn, EC2A 2NY 0171-628 1234

F&C Emerging Markets

	Selling Price	Buying Price	+ or -	Yield Gr's
Argentinian Inv Co F	$22.64		-0.17	-
Brazilian Inv Co SICAV F	$30.09		-0.47	-
2nd Emerging Mkts Inv SICAV F	$10.15		-0.20	-
Latin Amer Inv Co SICAV F	$17.15		-0.04	-
Mexican Inv Co SICAV F	$23.18		-0.03	-

Foreign & Colonial Portfolios Fd Sicav(u)
47 Boulevard Royal, L-2449 Lux 01534 504541

	Selling Price	Buying Price	+ or -	Yield Gr's
Am Smlr Cos Eq F	$45.51		+0.03	-
Emerging Asian Eq F	$12.02		+0.51	-
Sterling Beta F	£10.05			-
Sterling Distribution F 5	£8.89		-0.10	-

Frontrunner 1 (u)
672 rue de Neudorf, Luxembourg 00 352 43887350

	Selling Price	Buying Price	+ or -	Yield Gr's
European Value Fd	Ecu167.54		—	-
Global Bond Fd	DKr184.10		—	-
Global Bond Fd	DM161.82		—	-
Sterling Bond Fd	£207.85		—	-
Danish Bond Fd	DKr191.44		—	-
Swedish Bond Fd 3	SKr138.40		—	-
German Bond Fd	DM110.30		—	-
Dollar Bond Fd 3	$107.08		—	-
Scandinavian Value Fd	Ecu174.93		—	-
Far East Value Fd	$90.22		—	-
North American Value Fd 5	$111.82		—	-
Danish Kroner Reserve	DKr112.53		—	-
Swedish Kroner Reserve	SKr118.71		—	-
German Mark Reserve	DM109.41		—	-
US Dollar Reserve 3	$103.58		—	-
ECU Reserve	Ecu112.61		—	-
Norwegian Kroner Reserve	NKr101.42		—	-
Bonds 2/1998 3	DM125.71		—	-
Bonds 2/1998 3	DM104.52		—	-
Bonds 2/1998	DM103.31		—	-
Danish Mortgage Bond Fd	DKr109.77		—	-
Danish Long Bond Fd 3	DKr111.22		—	-
Danish Equity Fd	DKr107.65		—	-
Swedish Equity Fd 5	SKr100.22		—	-
Norwegian Equity Fd 5	NKr104.00		—	-
European Equity Fd 5	Ecu104.33		—	-

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	[illegible]	527¾xd	-5	584	407½	708	4.6	13.5
Bulmer (HP)	[illegible]	374½xd	-1½	626	374½	-	4.9	17.6
Burn Stl Dist	†	35½	—	75½	35½	23	12.0	12.4
Diageo	[illegible]	570	—	638½	421	8,454	3.2	17.4
Glenmorangie A	†	875xd	—	1040	840	-	1.9	20.9
B	†	835xd	—	1140	925	-	0.9	44.7
Highland	★	287½	-1	330	260	29	3.9	13.3
5¼pc Cnv Bds		96xd		98½	95½	-	6.4	-
Kirin Y	5	445½	+3½	684¼	416¾	-	1.2	-
Matthew Clark	★♣	173xd	+½	335	157	292	14.5	5.6
Merrydown	★	57½	+1	109½	43½	9	6.7	-
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	-	1.3	-

BANKS, RETAIL

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
ABN Amro Fl		[illegible]	[illegible]	[illegible]	[illegible]	-	2.7	17.2
ANZ A$		377½	[illegible]	516¼	[illegible]	-	5.4	[illegible]
Abbey National	†	1112	+23	1200	710	3,337	3.1	18.2
Alliance & Leicester	[illegible]	814	-14	870	[illegible]	887	2.5	19.1
Allied Irish I£	[illegible]	611½	+15½	[illegible]	[illegible]	-	2.9	18.0
Anglo Irish I£	†	[illegible]	[illegible]	125	70½	1,307	3.2	18.2
Asahi Y		[illegible]	[illegible]	[illegible]	187	-	1.5	-
Banco Bil Viz Pta	5	[illegible]	[illegible]	[illegible]	[illegible]	-	1.5	-
Banco Sant Pta		[illegible]	[illegible]	[illegible]	[illegible]	-	1.9	22.7
Bk Ireland I£	[illegible]	933	+16½	981	543	-	2.2	20.5
Bank Scotland	[illegible]	587	-	608	291½	7,708	2.0	14.9
9¼pc Pf		151	—	151¼	116½	-	7.7	-
9⅛pc Pref		159	—	159¼	123	-	7.7	-
[illegible]		[illegible]	[illegible]	[illegible]	57	-	0.5	-
Barclays	†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	15.3

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS & TEXT

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£23¼		£27¾	£21⅝	-	2.9	ф
Barlow		£4½		£8¾	£4½	-	3.2	ф
Gold Flds Prop R		110½		197	110½	-	7.2	9.2
SA Brews	†	£13½		£23¼	£13½	-	2.7	-
Standard Bank		£23¾		£30	£22½	-	2.2	-
Tiger Oats		780		1100	780	-	2.4	ф
Tongaat-Hulett		754xd	-6¾	780	719½	-	2.3	ф

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£5210xd		£5540	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on *Monday*

Earnings used in calculations are based on BMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield: p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xn ex capital distribution

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LONDON STOCK EXCHANGE

Shares rally but global market concerns linger

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

Wall Street's stunning recovery on Monday, and sweeping gains across Asian markets, helped London's equity market stage a much-needed, if rather unconvincing, rally.

There was also limited assistance for UK stocks from some reassuring inflation data and some comfort for the recently beleaguered retailing sector after an upbeat survey by the British Retailing Consortium.

The latter said high street sales in December were up 4.8 per cent on the previous year, compared with a 1.1 per cent gain in November and 5 per cent in October.

Economic news from the US yesterday, which showed inflation up 0.1 per cent was in line with market forecasts and posed no problems for Wall Street, which moved up more than 50 points not long after the opening.

But even after the good news, the FTSE 100 could still only muster a closing gain of 15.1 at 5,083.9, well below the day's best of 5,110.2, recorded shortly before the start of trading on Wall Street.

There were also gains across the second-liners and SmallCaps, with the FTSE 250 climbing 16.9 to 4,816.5, well below its session high of 4,822.2. The FTSE SmallCap finished 10.9 higher at 2,340.1, only a fraction below the day's high.

Turnover in the market held up well, and was largely attributed to a big bought deal in GUS 'A' shares, executed by two of the market's largest broking houses, Cazenove and Morgan Stanley.

The trade, which involved the placing of a 3.7 per cent stake in the retailer, accounted for around 10 per cent of overall market activity. At the 6pm cut-off point turnover in equities reached 864.4m shares.

"I don't think a rise of 13 points represents much of a return of confidence in the market, especially after a fall of 170 points in two sessions," was the gloomy comment from a senior dealer at one of the big European securities houses.

The market's good start to the day came after the Dow Jones Industrial Average's remarkable turnaround overnight, which saw it transform a 137-point fall early in the session into a 66-point closing gain.

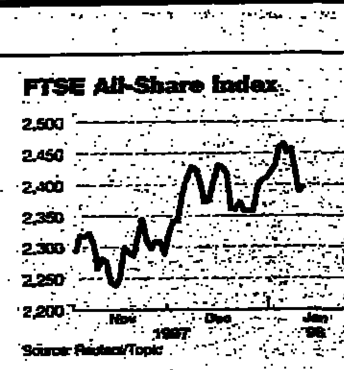
That performance heralded a general surge in most of the Asian stock markets that have come under increasing pressure over the past few days.

The Asian advance was spearheaded by Hong Kong, up 7 per cent, Jakarta, 9 per cent higher, Singapore, up almost 8 per cent, and Tokyo and Seoul which were both up in excess of one per cent.

As well as the GUS placing, the retail sector enjoyed another session of keen interest as the spate of Christmas/new year trading updates continued.

The news was mixed, with Kingfisher propelled towards the top end of the FTSE 100 performance league on the back of a strong performance by its B&Q business, but Boots left languishing at the other end of the table after its update received the thumbs down in the market.

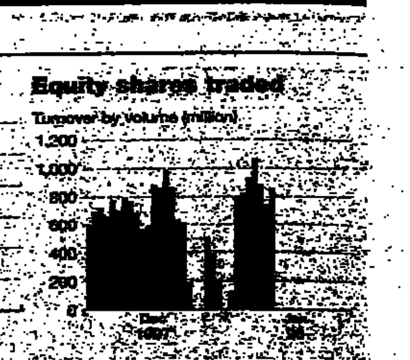
FTSE All-Share Index



Source: Reuters/Topic

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5083.9	+15.1	FT 30	3262.9	-21.0
FTSE 250	4816.5	+16.9	FTSE Non-Fins p/e	20.07	20.04
FTSE 350	2452.3	+7.6	FTSE 100 Fut Mar	5124.0	+42.0
FTSE All-Share	2396.94	+7.62	10 yr Gilt yield	6.06	6.04
FTSE All-Share yield	3.24	3.25	Long gilt/equity yld ratio	1.90	1.87

Best performing sectors

1 Oil: Integrated ....+1.9
2 Resources ....+1.4
3 Banks: Retail ....+1.2
4 Investment Tsts ....+1.0
5 Distributors ....+0.9

Worst performing sectors

1 Building & Mats ....-1.8
2 Media ....-1.4
3 Extractive Inds ....-1.2
4 Electronic & Elec ....-1.2
5 Breweries: Pubs & Rest ....-0.7

Energy bid talk returns

Takeover talk was rife around the electricity sector with **Energy Group** rising 4 to 680p on strong speculation of an imminent return of Pacificorp to the scene.

The US utility had a 690p-a-share go at Energy in June but was referred to the Monopolies and Mergers Commission.

At the time the £3.65bn offer for the former Hanson unit cost Pacificorp $65m for currency losses and there was a story yesterday that the Oregon-based electricity group had just taken out a currency hedge.

Sources close to the company denied the speculation but analysts said a hedge was unnecessary as the dollar was strengthening against sterling rather than weakening as it did last summer, and the market anticipated an offer of between 720p and 740p a share.

Sector specialists still prefer **Southern Electric** as a takeover candidate but Southern's share price slid 112 to 526p after the company announced one of the directors had been selling shares. Director share selling also subdued **Scottish Power** by 10 to 535p.

The spotlight was firmly fixed on the retail sector as several leading brokers executed a large trade and specialists reflected on trading updates from two of the big stocks in the sector.

A large block trade was carried out in **Great Universal Stores** by Cazenove and Morgan Stanley. The brokers bought 36.7m shares (around 3.7 per cent of the company's share capital) from the Wolfson Foundation at 712½p.

The stock represented around half of the Foundation's holding in GUS. The foundation said Cazenove Fund Management had advised the trustees "that it would be appropriate to diversify the investment portfolio in line with the Charity Commissioners' recommended guideline".

The securities houses placed the stock with a range of institutions at 719p. GUS shares hit a day's low of 722p (a fall of 31) as the deal was carried out but they recovered to end the session 22 off at 731p. Turnover of 77m made it by far the most heavily traded stock of the day, the total being three and a half times that of the next stock in the league table.

Kingfisher jumps

Trading updates from **Kingfisher** and **Boots** were the other strong feature in the sector. The former appreciated 27 to 912p as analysts upgraded current-year profit estimates after the group posted better-than-anticipated Christmas trading data.

In contrast, there was no hiding place for Boots. The shares tumbled 58 to 847p as the market registered its disappointment at the company's trading update. BZW was among brokers that downgraded current-year profit expectations, reducing its figure by £20m to £535m. Analyst Tony Shiret believes that there is "further modest downside" in the stock.

GEC shed 8 to 391p in brisk trade of 22m, making it *one of the busiest stocks in* the market. The company said it had bought 8.5m shares at 392p and 1m at 390p.

Traders estimate it has now bought about 40.5m at a cost of about £158m, and so is about halfway through the buyback programme.

British Steel gained 1½ to 132p. Positive sentiment in the stock was helped by a report from the UN that world steel output rose almost 7 per cent in 1997, and by almost 4 per cent in the UK.

British Aerospace was off 39 to £16.95 as a story went the rounds that Garuda, the Indonesian airline, had not met its last two payments on Airbus aircraft. However, any liability is seen as likely to rest with the credit guarantee department of the French government.

The decline of 4½ to 206½p *in LucasVarity was attributed* to a story that its strong position in diesel fuel injection was threatened by an engine developed by Siemens. However, the tale was not seen as high quality.

Pemberstone, the Fledgling financial and property group, gained 4½ to 59p after a positive trading update on Monday and a property acquisition announced yesterday.

Meggitt, the SmallCap aerospace engineer, gained 5 to 170p after announcing it had been selected by Boeing to supply liquid crystal instruments. Barnaby Wiener at Merrill Lynch, who recently upgraded his forecasts for earnings per share at the company by 6 per cent for this year and 8 per cent for 1998, said: "This *order* won't have an impact on profits until 1999 but in the long term it is a very signifi*cant order for Meggitt.*"

Denmans Electrical achieved one of the better advances outside the FTSE 350; the shares rose 17 to 122½p after the electrical goods distributor unveiled a 41 per cent profits rise.

Deltron Electronics gained 12½ to 140p after a trading statement that focused on a high level of orders and improving margins.

Screen slips

Screen, the electronic security group that floated at 3p on Aim in March, lost ¾ to 2p after warning of a trading loss of £450,000 and an exceptional charge of £500,000 for the year to *December. Last month the* shares fell from 4¼p to 3¼p after the company's initial warning of a loss for 1997.

Cammell Laird chalked up further gains after strong results on Monday, and rose 24 to 212½p.

Abbey National led the rally in the banking sector after speculation returned of a bid from HSBC or a merger with NatWest. The shares settled 23 higher at £11.12.

Hard-hit **Standard Chartered** recovered 13 to 562p after a recovery in Asian markets.

A firmer tone to crude oil prices and bottom-of-the market recommendations from a couple of brokers helped **BP** garner 20 to 792½p.

Lehman Brothers has reinforced an "outperform" rating for the stock after adding BP to its European Recommended Portfolio. Also, Goldman Sachs named BP in its list of European stocks favoured for their expected performance in 1998.

Billiton, the mining group, fell 6 to 138p, on further reaction to the company's exposure to the economic crisis in Indonesia.

News of a late boost for December sales from the British Retail Consortium saw **Marks and Spencer** gain 8 to 596p.

Reports suggesting the team at ABN Amro Hoare Govett prefers **Whitbread** to **Bass** saw shares in the latter decline 16 to 911p. The former eased a penny to 878p.

Fears of a poor trading statement at **Argos** on Friday overhung the stock. The shares fell 7 to 543p.

FT 30 INDEX

	Jan 13	Jan 12	Jan 9	Jan 8	Jan 7	Yr ago	*High	*Low
FT 30	3262.9	3283.9	3321.6	3375.2	3359.9	2804.8	3430.3	2668.8
Ord. div. yield	3.44	3.38	3.38	3.32	3.34	4.13	4.22	3.29
P/E ratio net	21.09	21.44	21.44	21.83	21.71	17.25	22.33	15.8
P/E ratio nil	20.80	21.15	21.15	21.53	21.42	17.08	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 26/06/40. Base Date. 1/7/35

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3283.9	3293.7	3267.5	3274.3	3272.0	3269.2	3268.7	3276.4	3266.9	3294.5	3259.9

	Jan 13	Jan 12	Jan 9	Jan 8	Jan 7	Yr ago
SEAQ bargains	55,428	69,385	64,157	64,719	61,134	50,973
Equity turnover (£m)†	-	NA	2315.4	2090.5	1699.0	1325.8
Equity bargains†	-	NA	51,773	49,582	48,417	28,733
Shares traded (ml)†	-	NA	684	641.8	507.3	435.8

†Excluding intra-market and overseas turnover but including Crest turnover.
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■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	952	Total Highs	104	Total contracts	28,207
Total Falls	610	Total Lows	84	Calls	17,972
Same	1,471			Puts	10,235

Jan 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5120.0	5111.0	+47.0	5144.0	5101.0	8942	60326
Jun	5150.0	5166.0	+48.0	5165.0	5150.0	16	25

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		4900.0	+18.0			0	6440

■ FTSE 100 INDEX OPTION (LIFFE) (*5066) £10 per full index point

	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P
Jan	193	13	151	20½	112	31½	77½	45½	49	69	28	98	14½	136	6	184
Feb	342½	121½	304	134	270	151½	238	171½	206½	191½	175	213	148	239½	125	266½
Mar	394	176½	362	195	329½	214	297½	233½	265½	253½	238½	273½	206½	299½	183	327½
Apr	434½	204½	403	224	372	243½	341	263½	310½	283½	280	304½	253	330½	231	369
Jun†	543½	276			479	314			414	353			348½	396		

Calls 1,304 Puts 1,193

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P
Jan	174½	18½	133	26½	95½	39	63	56½	38	81½	20	113½	9	152½	3	198½
Feb	316½	129	281	143½	247½	160	216	178	186½	198	159	220	134	244½	111½	272
Mar	366½	183	334	200	302	217	272	238½	242	255½	215	278	191½	304	166	328
Jun	511	277½			448½	311½			389½	350			335	392		
Sept†	620	329			558	361½			489½	398½			445	439½		

Calls 6,221 Puts 10,907 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	-	95	93½	Abbey Nat Dublin 8	93½		-	-	-	-
§140	F.P.	34.4	201½	148½	†ECO Techs	192½	+2	-	-	-	-
§65	F.P.	9.47	90	68	†Bond Intl Sftw	69½	-13	W-	-	-	19.3
-	F.P.	13.0	21½	16½	Boustead	19½		-	-	-	-
§25	F.P.	1.42	35½	29½	†General Inds	35½		-	-	-	-
135	F.P.	5.20	144½	139½	†Longmead	144½		L5.01	2.9	4.3	9.9
§110	F.P.	125.2	124½	105½	Marchpole	107½		R3.65	2.1	4.2	14.3
§128	F.P.	12.6	144½	137½	†Optoplast	144½		H3.07	3.4	2.7	11.3
§102	F.P.	23.2	102½	102½	†Razorback Vhcls	102½		-	-	-	-
§105	F.P.	38.0	119½	110½	SCS Upholstery	119½	+4	L2.7	2.0	2.8	22.5
§	F.P.	170.4	106¼	96½	Second Scot Nat	106¾	+½	-	-	-	12.8
§	F.P.	101.6	101¼	99½	Do Zero Div Prf	101¼	+¼	-	-	-	-
*	F.P.	3.31	113½	103½	Wyndham Mtr	103½		u4.5	7.8	5.4	2.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 12	% chg on day	Jan 9	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	891.23	-4.1	929.38	1731.70	3.84	-	1987.49	891.23
■ Regional indices								
Africa (15)	929.96	-4.8	976.47	1984.54	7.37	16.82	2333.56	921.78
Australasia (7)	1056.57	-6.7	1132.70	2011.63	3.12	14.47	2124.22	933.63
North America (12)	864.85	-3.4	894.97	1628.49	1.49	32.17	1780.66	864.86

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TRADING VOLUME

■ **Major Stocks yesterday.**

	Vol. 000s	Closing price	Day's change
3i†	1,300	514	+8
AMVESCAP†	1,000	483	-8
ASDA Group†	5,100	184½	+¼
Abbey National†	3,300	1112	+23
Airtours	393	1300	+15
Alliance & Leicester†	857	814	+14
Allied Domecq†	708	527	-5
Anglian Water	369	877	+6
Argos	947	543	-7
Arjo Wiggins	1,800	159	-1½
Assoc. Brit. Foods†	2,800	578	+48
Assoc. Brit. Ports	1,300	284	+½
BAA†	1,600	425	-5
BAT Inds.†	4,600	564	+1
BBA	805	392	-3½
BOC†	2,000	865	-15
BG†	9,900	303	+2
BP†	7,600	792½	+20
BPB	448	322	
BSkyB†	6,800	478	-14
BT†	14,900	501½	-½
BTR†	10,600	189½	-2
Bank of Scotland†	7,700	537	
Barclays†	4,800	1613	+10
Bass†	470	911	-16
Billiton†	3,900	138	-6
Blue Circle†	1,100	314	-9½
Boots†	7,800	847	-58
Britannic	263	1125	
Brit. Aerospace†	656	1695	-39
British Airways†	2,200	595	-4
British Biotech	2,000	130	+2
British Borneo	76	392½	-5
British Energy†	1,900	419	
British Land†	1,600	604½	+11½
British Steel†	4,200	132	+1½
Burmah Castrol	398	997	-3
Burton	22,700	140½	+2
Cable & Wire†	4,500	490	-3
Cadbury Schweppes†	1,100	632½	-9½
Caradon	5,300	180	+1
Carlton Comms.†	3,400	459	+2½
Centrica†	8,200	96	+1
Comm. Union†	781	883	+11
Compass	965	776	+2
Cookson	4,400	180½	-½
Courtaulds	472	259½	-5½
Daily Mail A	23	2085	+40
Danka	335	262	+17
Diageo†	5,800	570	
Dixons†	1,400	582	-4
EMAP	36	851	+2½
EMI†	1,300	488	-11
Electrocomps	1,600	483½	+11
Energy Group†	418	680	+4
Enterprise Oil†	337	555½	+3½
Fleetech	281	511	-1
Foreign & Col. I.T.	1,100	171¼	+1¼
Gallaher	1,000	385	
Gen. Accident†	997	1120	+28
General Elect.†	22,400	391	-8
Glaxo Wellcome†	3,300	1497	-4
Granada†	2,400	946	+6
GUS†	77,800	731	-22
Greenalls	1,100	417	-8½
GRE†	2,900	345½	+3½
GKN†	359	1295	-3
HSBC (75p shs)†	3,100	1365	-2
HSBC (HK$10)†	2,200	1303	-5
Halifax†	3,200	755	-2
Hammerson	225	464½	-2
Hanson	1,600	286	-6
Hays†	624	802	-2
Hillsdown	5,200	151½	+1
Hyder	448	995½	-1½
IMI	398	420	+4
ICI†	1,100	934	+9
Imperial Tobacco	1,309	412½	-2
Inchcape	3,400	142	+4½
Johnson Matthey	596	530½	+½
Kingfisher†	3,900	912	+27
Ladbroke†	1,500	276	+1
Land Securities†	639	1003½	+5½
Laporte	1,460	674	+8½
Legal & General†	1,700	565	+9
Liberty Intl.	58	477½	+5
Lloyds TSB†	4,400	780	+30
LASMO†	2,100	251½	+1½
LucasVarity†	2,800	206½	-4½
MEPC	282	526	+1½
Marks & Spencer†	4,700	596	+8
Misys	224	1667½	+22½
Morgan Crucible	158	453½	+2
Morrison (Wm.)	908	233½	+2
NFC	175	140½	+1
NatWest Bank†	5,600	925	-12
National Grid†	4,700	272½	+1½
National Power†	3,009	662	+18
Next†	3,700	724	-3
Northern Foods	124	260½	+1½
Northern Rock	684	591½	+1½
Norwich Union†	2,409	398	-1
Nycomed Amer†	229	2150	-26
Nycomed Amer NV†	19	2025	
Orange†	2,100	248½	-1½
Pearson†	322	757½	-5½
P & O†	5,800	697	+2
Pilkington	707	124½	
PowerGen†	891	805	+13
Premier Farnell	99	411	-2
Provident Financial	942	794½	+7
Prudential†	2,800	764	-16
REXAM	132	275½	+½
RMC	638	823	-3
Railtrack†	2,400	878	-21
Rank Group†	2,200	335½	-5
Reckitt & Colman†	495	908	-6
Redland	69	342	
Reed Intl.†	2,700	598	-7
Rentokil Initial†	4,500	279	-1
Reuters†	3,200	627	-17
Rio Tinto†	2,800	697½	-1½
Rolls Royce†	2,300	222	-7½
Royal & Sun Alice†	3,700	620	-8
Royal Bk Scotland†	3,000	785	
Safeway†	3,800	338	-4
Sainsbury†	4,000	498½	+6½
Schroders†	76	1812	+12
Schroders N/V†	11	1695	+76
Scottish & New.†	542	735	-3
Scot. Hydro-Elect.	2,800	553	+12½
Scottish Power†	1,400	525	-10
Sears	3,860	52½	+½
Securicor	1,100	320	-½
Serna	84	1582½	+17½
Severn Trent†	1,600	1028	+10
Shell Transport†	9,400	409	+5
Siebe†	1,600	1117	-5
Slough Ests	349	359	+1½
Smith (W.H.)	1,300	430	-8½
Smith & Nephew	837	172½	+2
SmKl Beecham†	5,800	685	+9
Smiths Inds.†	625	793	-7½
Southern Elect	2,200	526	-11
South West Water	58	892½	-2½
Stagecoach	684	643½	-1
Standard Chartd.†	5,200	562	+13
Storehouse	2,900	232	-3
Sun Life & Prov.†	180	476	
T & N	69	255	
TI Group	460	492½	+7½
Tarmac	2,800	107	-1½
Tate & Lyle	564	529	-6
Tesco†	7,300	498½	+4
Thames Water†	1,200	906	+13
Tomkins†	1,900	304	+4
Unigate	374	597½	+5
Unilever†	7,000	489	+3½
United Assurance	203	536½	+4
United Biscuits	708	227½	+½
Utd. News & Media†	1,100	695	-3
United Utilities†	853	853	+9
Vendome	100	478½	
Vodafone†	8,100	430	-1
WPP	1,000	263	-12
Wessex Water	745	537½	-7½
Whitbread†	1,800	878	-1
Williams†	2,200	347½	+5½
Wolseley†	2,900	468	-11
Woolwich†	2,100	322	+1
Yorkshire Water	1,600	510	+10
Zeneca†	2,700	2138	+10

Based on trading volume for a selection of major securities yesterday until 4.30pm. † indicates a FTSE 100 index constituent or reserve. All trades are rounded. Source: Extel, part of FT Information.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 13	Day's chge%	Jan 12	Jan 9	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5083.9	+0.3	5068.8	5138.3	4168.2	3.20	2.64	2.07	18.94	1.37	2195.46
FTSE 250	4816.5	+0.4	4799.6	4864.6	4557.2	3.47	2.87	1.84	19.53	1.71	2040.17
FTSE 250 ex IT	4861.4	+0.3	4846.4	4907.5	4610.0	3.58	2.97	1.89	18.51	1.43	2066.25
FTSE 350	2452.3	+0.3	2444.7	2478.2	2069.7	3.25	2.69	2.02	19.05	0.70	2164.04
FTSE 350 ex IT	2456.2	+0.3	2449.0	2482.0	-	3.27	2.70	2.03	18.84	0.67	1111.66
FTSE 350 Higher Yield	2453.9	+0.1	2452.0	2479.1	1995.8	4.18	3.48	1.89	15.81	0.48	1843.95
FTSE 350 Lower Yield	2465.3	+0.5	2451.9	2492.1	2150.0	2.30	1.87	2.26	24.06	0.93	1773.26
FTSE SmallCap	2340.11	+0.5	2329.23	2348.18	2257.83	3.08	2.48	1.58	25.79	0.98	2013.60
FTSE SmallCap ex IT	2348.53	+0.3	2340.98	2353.36	2271.13	3.25	2.63	1.64	23.38	0.77	2040.23
FTSE All-Share	2396.94	+0.3	2389.32	2421.15	2042.56	3.24	2.67	1.98	19.39	0.70	2146.84
FTSE All-Share ex IT	2402.86	+0.3	2395.71	2426.94	-	3.27	2.70	2.01	19.05	0.67	1107.09

■ **FTSE Actuaries Industry Sectors**

	Jan 13	Day's chge%	Jan 12	Jan 9	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(22)	4295.39	+1.4	4235.14	4304.22	4040.25	3.64	2.98	1.81	19.01	0.00	1944.58
12 Extractive Industries(5)	2782.39	-1.2	2817.38	2884.54	3933.82	5.08	4.48	1.88	13.10	0.00	857.60
15 Oil, Integrated(4)	4756.00	+1.9	4667.79	4737.85	4172.51	3.66	2.95	1.77	19.30	0.00	2215.88
16 Oil Exploration & Prod(13)	3374.68	+0.4	3361.78	3425.91	3482.61	1.67	1.38	2.32	32.26	0.00	2076.16
20 GEN INDUSTRIALS(229)	1954.50	-0.6	1966.60	2000.35	2006.69	3.92	3.34	2.01	15.87	0.22	1132.69
21 Construction(38)	1298.89	+0.6	1291.05	1307.63	1251.33	3.56	2.87	2.24	15.67	0.44	1145.12
22 Building Matls & Merchs(27)	1681.47	-1.8	1712.37	1738.03	1810.59	4.53	3.73	1.93	14.28	0.46	901.40
23 Chemicals(27)	2486.48	-0.2	2491.55	2558.59	2319.70	4.20	3.63	1.65	18.10	0.08	1254.57
24 Diversified Industrials(11)	1252.50	+0.4	1247.12	1285.09	1457.93	4.57	4.18	2.24	12.19	0.00	758.11
25 Electronic & Elect Equip(27)	2175.54	-1.2	2201.49	2203.42	2386.20	4.09	3.31	1.65	18.57	0.00	1187.74
26 Engineering(63)	2692.72	-0.6	2709.95	2773.53	2588.75	3.56	3.14	2.65	13.24	0.28	1714.53
27 Engineering, Vehicles(11)	3451.27	-0.5	3470.34	3488.53	2979.92	2.83	2.39	0.01	80.00†	0.00	1882.70
28 Paper, Pckg & Printing(25)	2108.33	----	2108.78	2125.38	2570.48	4.82	3.96	1.96	13.24	0.48	936.87
30 CONSUMER GOODS(90)	5009.16	+0.4	4989.92	5071.17	3741.92	3.02	2.62	1.82	22.81	0.18	1956.40
32 Alcoholic Beverages(6)	3307.62	-0.2	3313.70	3323.67	2607.84	3.51	3.48	2.21	16.09	0.31	1274.34
33 Food Producers(24)	3336.62	+0.4	3323.89	3358.57	2709.21	3.23	2.67	1.93	20.06	0.09	1597.19
34 Household Goods & Texts(24)	3039.22	-0.1	3041.36	3072.22	2616.56	4.13	3.53	1.92	15.75	0.73	1264.20
36 Health Care(14)	2254.25	+0.8	2235.74	2255.52	2036.24	2.27	1.89	1.81	30.41	0.48	1426.67
37 Pharmaceuticals(19)	8393.18	+0.6	8343.53	8530.52	5869.83	2.22	1.86	1.70	33.20	0.03	2972.97
38 Tobacco(3)	4786.86	+0.1	4782.38	4868.81	4124.64	5.92	6.23	1.80	13.22	0.00	1306.49
40 SERVICES(281)	2860.07	-0.2	2867.15	2887.34	2639.09	2.94	2.38	1.92	22.12	2.16	1559.23
41 Distributors(28)	2517.16	+0.9	2494.33	2548.42	2951.23	3.71	3.02	2.04	16.54	0.00	976.14
42 Leisure & Hotels(27)	3438.51	+0.4	3426.25	3455.29	3330.08	2.79	2.23	2.16	20.75	16.84	1929.17
43 Media(42)	4033.92	-1.4	4093.13	4156.08	4200.43	2.53	2.09	1.92	25.83	0.00	1510.95
44 Retailers, Food(14)	*2748.51*	*+0.7*	*2730.37*	*2719.33*	*2235.48*	*3.09*	*2.47*	*2.30*	*17.60*	*0.00*	*1849.04*
45 Retailers, General(50)	2303.08	-0.6	2316.37	2333.95	2041.06	3.15	2.52	2.19	18.10	2.82	1388.53
46 Telecommunications(10)	2738.09	+0.1	2736.24	2744.84	2160.95	3.22	2.60	1.48	26.24	0.00	1329.59
47 Breweries, Pubs & Rest.(24)	3547.92	-0.7	3574.03	3588.61	3280.36	3.35	2.68	2.30	16.20	6.94	1796.11
48 Support Services(61)	3617.86	+0.6	3596.45	3612.25	2838.06	1.59	1.30	2.31	33.98	0.00	2370.87
49 Transport(25)	2894.11	-0.4	2905.53	2939.54	2752.13	3.53	2.88	1.29	27.46	1.56	1276.60
60 UTILITIES(23)	3669.81	+0.7	3645.99	3647.88	2600.27	4.28	3.43	1.71	17.03	2.38	1728.88
62 Electricity(9)	4073.91	+0.5	4053.33	4059.80	2858.20	4.68	3.75	2.12	12.61	0.00	2346.33
64 Gas Distribution(2)	2677.35	+0.8	2656.99	2678.56	1484.11	2.43	1.95	‡	‡	0.00	1533.49
68 Water(12)	3376.97	+0.8	3349.39	3325.76	2421.29	5.06	4.04	2.21	11.17	7.95	2049.72
69 NON-FINANCIALS(645)	2413.10	+0.1	2409.95	2438.02	2098.44	3.32	2.76	1.88	20.07	0.88	1942.22
70 FINANCIALS(109)	4755.90	+0.8	4718.06	4799.21	3726.94	3.11	2.51	2.43	16.56	0.06	2168.86
71 Banks, Retail(12)	6889.78	+1.2	6809.98	6959.50	5410.85	3.04	2.43	2.53	16.23	0.00	2378.51
73 Insurance(17)	2168.73	+0.3	2162.37	2191.88	1674.80	4.08	3.36	2.78	11.04	0.20	1761.65
74 Life Assurance(6)	6152.74	-0.4	6178.60	6210.70	4373.38	2.97	2.44	2.26	18.61	0.00	2708.86
77 Other Financial(26)	3755.37	+0.7	3729.05	3792.93	2995.72	2.76	2.25	2.24	20.16	0.26	2261.39
79 Property(45)	2192.75	+0.6	2178.89	2198.96	1865.61	2.94	2.41	1.44	28.53	0.00	1424.64
80 INVESTMENT TRUSTS(119)	3377.30	+1.0	3343.20	3420.55	3177.95	2.29	1.83	1.17	46.79	2.93	1220.98
89 FTSE All-Share(873)	2396.94	+0.3	2389.32	2421.15	2042.56	3.24	2.67	1.98	19.39	0.70	2146.84
105 FTSE All-Share ex IT(754)	2402.86	+0.3	2395.71	2426.94	-	3.27	2.70	2.01	19.05	0.67	1107.09
Information Technology	1044.26	+1.0	1033.72	1043.04	-	0.73	0.59	2.62	64.99	0.00	1044.26
FTSE Fledgling	1272.09	+0.5	1266.25	1273.92	1264.70	3.51	2.82	1.43	24.95	0.71	1394.50
FTSE Fledgling ex IT	1301.84	+0.3	1298.32	1301.71	1287.50	3.69	3.13	1.47	21.63	0.61	1491.34
FTSE AIM	980.3	-0.1	981.6	989.4	-	1.18	0.93	0.44	80.00†	0.19	902.52

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	12.10	14.00	15.00	16.10	High/day	Low/day
FTSE 100	-	5101.3	5077.4	5083.2	5081.4	5083.6	5093.0	5099.7	5096.4	5110.2	5074.3
FTSE 250	-	4818.8	4820.6	4818.3	4814.7	4814.2	4814.4	4818.2	4817.4	4822.2	4810.9
FTSE 350	-	2459.3	2450.2	2452.2	2451.1	2451.9	2455.6	2456.6	2453.4	2462.3	2449.0
FTSE SmallCap	2333.71	2335.57	2335.93	2336.53	2336.92	2337.50	2337.65	2338.52	2339.85	2340.16	2333.71
FTSE All-Share	-	2403.03	2394.71	2396.62	2395.68	2396.45	2399.82	2402.64	2397.91	2405.96	2393.69

Time of FTSE 100 Day's high: 2:10 PM Day's low: 9:50 AM. FTSE 100 1997 High: 5330.8 (03/10/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 2:10 PM Day's low: 9:50 AM. FTSE All-Share 1997 High: 2492.41 (03/10/97) Low: 1999.78 (10/01/97)
Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Annual review changes please see FTSE Intl webside ftse.com. Name changes: UniChem now Alliance UniChem (FTSE 250): Graystone now Ring (FTSE Fledgling).

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JANUARY 12 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JANUARY 9 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (74)	190.26	-3.2	174.29	160.04	179.87	197.56	-2.5	3.84	196.60	180.48	163.45	186.05	202.61	243.87	190.26	217.24
Austria (23)	181.88	-4.0	166.62	152.99	171.95	171.81	-4.1	1.93	189.41	173.88	157.47	179.25	179.10	213.59	175.14	185.39
Belgium (26)	250.39	-1.4	229.38	210.62	236.72	231.62	-1.5	2.96	253.90	233.08	211.09	240.27	235.14	263.33	227.73	227.97
Brazil (30)	212.21	1.0	194.40	178.50	200.62	437.13	1.2	1.99	210.06	192.84	174.64	198.79	431.98	322.44	184.94	200.65
Canada (122)	199.10	-1.0	182.39	167.48	188.23	206.71	-0.3	1.92	201.17	184.68	167.25	190.38	207.36	233.66	178.27	195.23
Denmark (32)	438.44	-2.8	401.65	368.81	414.51	412.96	-2.8	1.24	451.23	414.24	375.15	427.02	425.39	464.94	348.27	353.91
Finland (28)	267.59	-4.4	245.14	225.10	252.99	309.33	-4.5	2.03	279.83	256.89	232.64	264.81	323.75	349.43	243.25	252.66
France (83)	225.24	-2.1	206.33	189.46	212.94	215.10	-2.1	2.48	229.87	211.12	191.20	217.63	219.90	246.23	209.81	210.28
Germany (58)	218.59	-3.3	200.25	183.87	206.66	208.66	-3.4	1.42	226.11	207.57	187.98	213.98	213.98	243.87	184.23	188.05
Hong Kong, China (66)	262.93	-9.9	240.87	221.17	248.58	261.53	-9.9	6.11	291.89	267.96	242.67	276.23	290.41	580.03	262.93	496.06
Indonesia (27)	32.60	2.6	29.87	27.43	30.83	180.02	3.2	3.74	31.77	29.17	26.42	30.07	174.45	254.90	29.44	239.98
Ireland (16)	395.98	-2.2	362.75	333.09	374.36	407.42	-2.1	2.43	404.73	371.55	336.49	383.02	416.31	414.74	318.20	328.04
Italy (63)	122.67	-0.2	112.37	103.18	115.97	163.84	-0.2	1.49	122.94	112.86	102.21	116.34	164.24	124.08	83.01	89.50
Japan (481)	88.52	-3.7	81.10	74.47	83.69	74.47	-2.6	1.07	91.95	84.41	76.44	87.01	76.44	141.12	88.52	116.93
Malaysia (107)	113.58	-4.4	104.08	95.52	107.36	203.37	-3.5	3.57	118.76	109.03	98.74	112.39	210.63	660.65	113.56	618.09
Mexico (26)	1576.56	0.4	1444.26	1326.17	1490.49	14246.58	2.7	1.71	1570.08	1441.35	1305.34	1485.84	13875.60	1901.98	1305.70	1305.70
Netherlands (19)	391.03	-2.4	358.22	328.93	369.69	365.65	-2.5	2.30	400.66	367.81	333.10	379.16	375.15	440.67	326.45	327.17
New Zealand (14)	71.49	-3.0	65.49	60.14	67.59	66.56	-2.8	4.64	73.69	67.65	61.27	69.74	68.47	96.47	71.49	94.27
Norway (38)	281.62	-5.7	257.99	236.89	266.25	287.64	-5.0	2.10	298.66	274.18	248.30	282.64	302.92	374.64	281.62	305.67
Philippines (22)	59.80	3.9	54.79	50.31	56.54	130.54	1.8	1.40	57.54	52.82	47.84	54.46	128.18	214.07	57.54	208.97
Singapore (42)	144.01	-9.6	131.93	121.14	136.15	119.79	-8.0	2.67	159.25	146.19	132.40	150.71	130.15	448.01	144.01	426.10
South Africa (43)	227.66	-8.6	208.56	191.50	215.23	248.32	-7.8	3.40	248.60	228.13	207.51	236.20	269.44	370.12	227.66	319.87
Spain (35)	274.42	-0.7	251.39	230.84	259.44	320.26	-0.8	2.17	276.24	253.59	229.66	261.42	322.94	281.72	206.12	222.63
Sweden (45)	439.98	-4.8	403.06	370.11	415.98	523.71	-4.3	1.98	462.43	424.51	384.45	437.62	547.34	538.94	405.00	422.88
Switzerland (31)	325.49	-3.0	298.18	273.80	307.72	297.78	-3.1	1.13	335.62	308.11	279.03	317.62	307.26	343.44	231.69	233.70
Thailand (38)	13.10	-10.4	12.00	11.02	12.38	28.82	-6.3	10.01	14.62	13.43	12.16	13.84	30.78	103.44	13.10	102.75
United Kingdom (212)	322.35	-1.2	295.30	271.15	304.75	295.30	-1.4	3.34	326.18	299.44	271.19	308.68	299.44	337.99	271.72	274.54
USA (638)	382.78	1.1	350.66	321.99	361.88	382.78	1.1	1.63	378.74	347.69	314.88	358.42	378.74	401.22	289.79	309.30
Americas (817)	346.72	1.0	317.63	291.66	327.80	292.75	1.0	1.65	343.40	315.24	285.49	324.97	289.78	365.75	274.59	283.26
Europe (701)	279.29	-2.1	255.85	234.93	264.04	268.30	-2.1	2.39	285.15	261.77	237.07	269.85	274.20	296.25	236.09	236.23
Nordic (147)	388.51	-4.5	355.91	326.81	367.31	402.57	-4.2	1.87	406.87	373.51	338.27	385.04	420.05	464.93	355.77	368.43
Pacific Basin (872)	95.32	-4.3	87.32	80.18	90.12	81.38	-3.3	1.82	99.57	91.40	82.78	94.22	84.11	158.99	95.32	138.04
Euro-Pacific (1573)	172.03	-2.8	157.59	144.71	162.64	151.73	-2.5	2.21	176.95	162.45	147.12	167.46	155.66	209.12	172.03	178.92
North America (761)	370.97	1.0	339.84	312.05	350.72	370.86	1.0	1.64	367.39	337.27	305.45	347.68	367.17	389.57	282.34	302.48
Europe Ex. UK (489)	250.03	-2.5	229.05	210.32	236.38	247.01	-2.6	1.85	256.59	235.56	213.32	242.82	253.57	267.07	210.66	210.66
Pacific Ex. Japan (391)	161.31	-6.3	147.78	135.69	152.51	168.09	-5.8	4.68	172.08	157.97	143.07	162.85	178.47	320.65	161.31	314.07
World Ex. US (1794)	175.30	-2.7	160.59	147.46	165.73	157.64	-2.4	2.20	180.16	165.39	149.78	170.49	161.50	212.89	175.30	191.98
World Ex. UK (2221)	234.66	-0.7	214.97	197.39	221.85	215.50	-0.5	1.73	236.38	217.00	196.52	223.70	216.85	262.69	211.16	217.47
World Ex. Japan (1952)	318.79	-0.4	292.03	268.15	301.38	315.29	-0.4	2.01	320.02	293.78	266.05	302.85	316.44	344.35	271.90	276.44
The World Index (2433)	242.08	-0.8	221.77	203.63	228.87	222.67	-0.6	1.90	243.98	223.97	202.84	230.89	224.07	268.47	215.61	222.34

 CONSTITUENT CHANGES WITH EFFECT 14/1/98: Deletions: Aapc Asia Pacific Corp Ltd. (AAPC) (Australia), Cetelem (France) and Cie Bancaire (France). Latest prices were unavailable for this edition.

Emerging markets: IFC Investable indices

NORTH AMERICA

AFRICA

PACIFIC

EUROPE

NEW YORK STOCK EXCHANGE PRICES

4 pm close January 13

1997/98 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 12	Jan 9	Jan 8	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	7847.15	7580.42	7802.62	8259.31 (6/8/97)	6391.69 (11/4/97)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	105.48	105.27	105.27	105.40 (12/1/98)	101.09 (14/4/97)	105.40 (12/1/98)	54.99 (1/10/81)
Transport	3303.02	3194.36	3290.64	3369.27 (15/10/97)	2222.87 (2/1/97)	3369.27 (15/10/97)	13.23 (8/7/32)
Utilities	265.67	262.66	265.10	272.81 (30/12/97)	209.47 (25/4/97)	272.81 (30/12/97)	10.53 (8/7/32)

DJ Ind. Day's high 7708.22 (7815.08) Low 7391.59 (7513.41) (Theoretical)† Day's high 7682.89 (7800.15) Low 7443.41 (7527.36) (Actual)†

Standard and Poors	Jan 12	Jan 9	Jan 8	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	939.21	927.69	956.04	983.79 (5/12/97)	737.01 (2/1/97)	983.79 (5/12/97)	4.40 (1/6/32)
Industrials‡	1093.52	1077.40	1110.82	1146.82 (7/10/97)	865.42 (11/4/97)	1146.82 (12/12/97)	3.52 (30/6/32)
Financial‡	110.71	110.85	114.25	120.83 (8/12/97)	80.75 (2/1/97)	120.83 (8/12/97)	7.13 (4/9/74)
Others							
NYSE Comp.	491.81	487.47	501.84	514.31 (5/12/97)	389.47 (11/4/97)	514.31 (5/12/97)	4.64 (25/4/42)
Amex Comp.	648.41	650.24	657.56	721.80 (7/10/97)	541.20 (28/4/97)	721.80 (7/10/97)	524.20 (16/7/96)
NASDAQ Comp.	1507.58	1503.22	1555.54	1745.85 (9/10/97)	1201.00 (2/4/97)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	410.89	412.95	425.71	465.21 (13/10/97)	335.85 (25/4/97)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Jan 9	Jan 2	Dec 26	Year ago
Dow Jones Ind. Div. Yield	1.81	1.72	1.79	1.98
	Jan 7	Dec 31	Dec 24	Year ago
S & P Ind. Div. yield	1.49	1.49	1.55	1.85
S & P Ind. P/E ratio	25.98	26.04	25.05	23.00

US DATA

■ MARKET ACTIVITY

● Volume (million)	Jan 12	Jan 9	Jan 8
NYSE	705.460	751.701	655.671
Amex	37.438	28.927	21.863
NASDAQ	706.229	820.007	651.147

NYSE	Jan 12	Jan 9	Jan 8
Issues Traded	3,474	3,464	3,452
Rises	1,307	560	1,087
Falls	1,709	2,513	1,891
Unchanged	458	391	474
New Highs	92	05	117
New Lows	214	168	93

■ NYSE TRADING ACTIVITY — Volume : 705,460,000

■ ACTIVE STOCKS Monday	Stocks traded	Close price	Day's change
AT & T	8,632,600	62¼	+1⅝
Compaq	7,478,800	55¾	−1⅛
Micron Tech	7,467,200	28⅛	+1¾
Tel Brasiel	7,131,000	105¾	+5¾
Gen Elec	6,068,400	74¾	+2⅛
Philip Mrrs	5,444,000	46¾	+⅞
IBM	5,508,900	100	−⅛
Medpartners	4,495,300	8	−½
Citicorp	4,436,000	117¾	−1⅜
Travelers	4,326,800	47⅛	−½

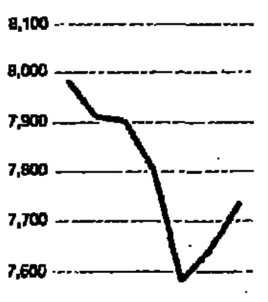
■ BIGGEST MOVERS Monday	Close price	Day's change	Day's chge %
Ups			
Indocat	13	+2⅛	+24.5
Oneok Inc	36¼	+3	+8.8
Cons Stores	41⅞	+2⅝	+6.53
Guidant	55¾	+3¼	+6.19
Downs			
Fairfield Cm	34¾	−4¼	−10.6
Drll-Quip	23¾	−2¾	−9.2
Harr Oilinst	27⅞	−2⅝	−8.6
Cone Graphics	30¼	−2¾	−8.6

■ NASDAQ TRADING ACTIVITY — Volume :706,229,000

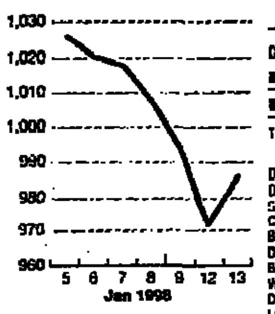
■ ACTIVE STOCKS Monday	Stocks traded	Close price	Day's change
Intel	30,828,500	75⅝	+3¼
Oracle	25,078,100	18⅛	−⅜
Dell Comp	17,022,800	87⅛	+3⅝
Cisco Sys	13,088,400	55⅞	+1⅛
Phycor	12,862,500	19	−3¾
Applied Matl	11,122,100	28⅛	+⅛
Microsoft	9,784,600	129½	+2½
Three Com	8,718,900	29¾	−¼
Sun Microsys	8,650,700	40⅞	−⅛
Adaptec	7,438,500	20¾	−1⅛

■ BIGGEST MOVERS Monday	Close price	Day's change	Day's chge %
Ups			
Diacv Labs	71⁄₂	+2½	+50
N2k Inc	21½	+4⅛	+23.9
Rehabcare	23½	+2⅝	+12.6
Fst Cm Bnc B	31	+3	+10.7
Downs			
Compdent	12½	−5½	−30.6
Versant Obj	9¾	−2¾	−22.7
Phycor	19	−3⅜	−15.1
Access Hlth	24¼	−4¼	−15

Dow Jones



FTSE Eurotop 300



JAPAN

	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Nikkei 225	14755.94	14664.44	14995.10	20681.1	14664.4	38915.9	85.25

■ TOKYO TRADING ACTIVITY — Volume : 389,000,000

■ ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Yamaichi Sec	28,027,000	1	
Np Steel Co	12,378,000	148	−1
Bk Tk-Mitsbsl	6,578,000	1660	−20
Sumo Bank	5,975,000	1290	+50
Sakura Bank	5,812,000	335	+4
Ind Bk of Jpn	5,410,000	778	−27
Sanwa Bank	5,205,000	1120	−20
Mitsbsl Hvy	4,865,000	464	+1
NKK Corp	4,746,000	100	+3
Sumo Mtl Ind	4,105,000	153	+3

■ BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
Odakyu Rl Est	165	+23	+16.2
Aichi Tokei D	222	+24	+12.1
Fujitsu	79	+8	+11.3
Soda Nikka	200	+20	+11.1
Downs			
Magara Cons	110	−18	−14.1
Ital Steamshp	85	−13	−13.3
Shibaura Eng	217	−29	−11.8
Ines Corp	895	−100	−10.1

FRANCE

	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
CAC 40	2902.93	2862.54	2919.81	3094.01	2256.97	3094.01	984.61

■ PARIS TRADING ACTIVITY — Volume : 373,416,570

■ ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Fr.Telecom	2,257,758	237.1	+2.5
Ass.Gn France	1,020,392	317.8	+0.1
Rone-Pnc A	960,088	284	+11
Elf Aquitne	903,886	026	+10
Brt.Faure	898,757	426.4	
Usinor	854,813	76.95	+1.55
Total B	785,788	582	+5
C Fn Paribs	711,357	514	+22.1
Michelin	696,951	289.8	+16
Axa-UAP	684,094	452.7	+1.7

■ BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
Ad Capital	160	+62	+63.3
Bricrdor (Act	88.5	+8.35	+10.2
Air France	196.5	+17	+9.5
Sagem	2825	+235	+9.1
Downs			
Saga	130.6	−29.4	−18.4
Sole (La)	200	−34.9	−14.9
GTMH	60	−7.95	−11.7
Aurea	48.5	−4.5	−8.5

GERMANY

	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
DAX	4159.40	4087.28	4236.94	4438.93	2848.77	4438.93	931.18

■ FRANKFURT TRADING ACTIVITY — Volume : 13,194,894

■ ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
Deut Bank	1,212,442	112.8	+3.8
Deut.Telekon	1,146,390	31.25	−0.8
Siemens	825,005	106.75	+1.9
Commzbank	788,647	66.9	+1.6
Bayer	734,856	66.4	+1.8
Drsdnr Bank	608,675	78.55	+1.65
BASF	471,312	62.8	+1.56
Veba	456,072	119.3	+1.85
Dmr-Benz	415,987	122.8	+2.1
Lufthansa	371,223	34.45	+1.15

■ BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
Ser Systeme	140	+14.5	+11.6
Asoran	214	+15	+9.7
Thyssen Ind	347	+22	+6.8
Alcatel Sel	280	+14.9	+5.6
Downs			
Welkert	70	−5	−6.7
Duerr	52.2	−2.5	−5.1
Strabag	130	−6	−4.4
Rhon-Klinikm	179	−6	−3.2

UK

	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
FTSE 100	5083.9	5068.8	5138.3	5330.8	4056.6	5330.8	986.9

■ LONDON TRADING ACTIVITY — Volume : 864,400,000

■ ACTIVE STOCKS Tuesday	Stocks traded	Close price	Day's change
GUS	77,411,140	731	−22
Burton	22,744,010	140½	+2
GEC	22,412,890	391	−8
SWP Grp	17,850,000	2¼	
Emerald Engy	15,468,840	8	+¼
BT	14,335,700	501¼	−¼
BTR	10,648,700	169½	−2
Shell T&T	9,409,135	409	+5
Centrica	8,198,421	96	−1
Vodafone	8,085,417	430	−1

■ BIGGEST MOVERS Tuesday	Close price	Day's change	Day's chge %
Ups			
Denmans El	122½	+17	+16.1
City Software	266	+36	+15.6
Highbury Hse	11¾	+1½	+14.6
Sder Engy	42	+5	+13.5
Downs			
Screen	2	−¾	−27.3
Surrey Grp	¾	−¼	−25
Bond Intl	69½	−13	−15.8
Feedback	27½	−4½	−14.1

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	930.00	945.50	+16.00	948.50	915.00	149,589	375,249
Jun	928.00	954.90	+18.30	957.50	927.00	1,317	10,088

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14680.0	14730.0	−350.0	14930.0	14620.0	17,880	168,103
Jun	14880.0	14810.0	−190.0	14880.0	14810.0	2	31,449

Open interest figures for previous day.

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2911.0	2906.0	+38.0	2922.0	2885.0	12,769	41,824
Feb	2920.0	2914.0	+38.0	2922.0	2908.0	481	2,487
■ DAX							
Mar	4225.0	4179.0	+21.5	4236.0	4166.0	25,638	66,204
Jun	4253.0	4206.5	+20.0	4258.5	4202.5	532	8,736

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	2320.00	2279.00	−2.00	2333.00	2278.00	7,622	24,058
Feb	2336.00	2317.00	+30.00	2336.00	2307.75	807	1,768
■ SOFFIX							
Jan	6158.0	6171.0	+104.1	6215.0	6155.0	8,417	17,236
Mar	6185.0	6182.0	+142.8	6209.8	-	13	423

WORLD MARKETS AT A GLANCE

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Argentina	General	20604.35	19946.93	19891.70	25771.39 22/10/97	18237.40 2/1/97	3.76	17.4
Australia	All Ordinaries	2565.3	2542.4	2603.1	2778.20 25/3/97	2289.20 28/10/97	3.48	18.3
	All Mining	552.2	556.5	576.4	987.10 24/2/97	541.19 27/11/97		

Enjoyed a partial recovery from Monday's falls as investors took heart from US upturn and Hong Kong recovery

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Austria	Credit Aktien	437.44	438.50	454.05	474.42 2/10/97	374.40 9/1/97	2.05	13.5
	Traded Index	1245.69	1246.18	1299.21	1488.49 31/7/97	1130.22 9/1/97		

Shares gave up early gains. VA Stahl retreated 3.1 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Belgium	BEL20	2441.94	2404.85	2443.56	2821.90 28/7/97	1871.05 2/1/97	2.21	16.8

Rallied modestly in line with the European trend.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Brazil	Bovespa	9522.0	9227.0	9118.0	13617.08 8/7/97	6665.50 2/1/97	0.65	na

‡Solid morning rally led telecoms heavyweight Telebrás up 3 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Canada	TSE 100♦	364.22	360.03	361.00	430.48 7/10/97	342.12 11/4/97	2	18.6
	Metals Minls♦	3447.89	3442.35	3458.51	5891.75 10/3/97	3442.35 12/1/98		
	Composite♦	6309.80	6239.95	6272.49	7289.80 7/10/97	5578.39 14/4/97		
	Portfolio§§	3276.66	3234.41	3235.28	3547.88 7/10/97	2846.02 11/4/97		

‡Shares edged higher, along with Wall Street, in light morning trade.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Chile	IGPA Gen▼	4421.79	4443.05	4513.70	5866.71 4/7/97	4443.05 12/1/98	2.96	14.3
China	Shanghai B	43.01	40.89	44.97	98.21 7/5/97	40.89 12/1/98	0.82	52.4
	Shenzhen B	79.61	77.98	84.53	184.29 6/5/97	77.98 12/1/98		

Early 6 per cent slide sparked bargain-hunting and hard currency index ended 5.2 per cent higher.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Colombia	IBB	1416.73	(c)	1420.75	1533.72 16/10/97	844.41 2/1/97	na	na
Czech Republic	PX 50	465.8	467.4	474.5	629.00 25/2/97	458.50 1/12/97	na	na

Earnings worries left Komercni Banka down 6 per cent and pushed broad market lower.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Denmark	CopenhagenSE	678.21	667.08	689.15	708.09 6/1/98	470.14 2/1/97	1.26	21.7

Shares reversed a five-day losing streak. Den Danske rose almost 4 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Egypt	Cairo SE Gen	359.83	357.72	(c)	359.83 13/1/98	- -	na	na
Finland	HEX General	3265.13	3220.43	3346.23	3900.81 22/10/97	2483.28 2/1/97	2.44	13.6

Nokia jumped 3 per cent on the strong trading news from Motorola of the US.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
France	SBF 250	1901.72	1873.10	1912.85	2003.43 31/7/97	1533.19 2/1/97	2.67	16.4
	CAC 40	2902.93	2862.54	2919.81	3094.01 3/10/97	2258.97 2/1/97		

Low volume session enlivened by 5.8 per cent surge for tyre giant Michelin.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Germany	FAZ Aktien	1355.15	1334.15	1384.82	1481.44 31/7/97	986.21 2/1/97	1.44	19.8
	Commerzbank	3984.10	3926.20	4067.10	4336.70 31/7/97	2825.88 2/1/97		
	DAX‡	4159.40	4087.28	4236.94	4438.93 31/7/97	2848.77 2/1/97		

Early gains pared as cyclicals ran into steady selling in later half of the session.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Greece	Athens SE	1428.14	1405.37	1460.83	1794.14 8/10/97	954.54 2/1/97	3.15	14.5
	FTSE/ASE 20	794.89	786.30	834.61	898.85 10/12/97	768.09 17/11/97		

Shares improved modestly in the face of bank sector weakness.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Hong Kong	Hang Seng	8720.00	8121.06	8894.64	16673.30 7/8/97	8121.06 12/1/98	4.52	8
	HSCC Red Chip	1007.28	984.50	1235.22	4110.56 27/8/97	984.50 12/1/98		

Stormed higher, almost wiping out Monday's losses as sentiment recovered.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Hungary	Bux	7513.76	7280.79	8001.87	8483.80 6/8/97	4281.30 6/1/97	na	na
India	BSE Sens.	3431.72	3395.04	3530.20	4548.02 5/8/97	3225.24 2/1/97		
	Crisil 500	634.07	649.50	648.50	843.28 5/8/97	618.29 12/12/97	na	na

Shares rose after three days of losses. Hindustan Lever ended lower.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Indonesia	Jakarta Comp.	382.13	350.23	342.97	740.83 8/7/97	339.53 15/12/97	2.93	11

Strong buying interest propelled the market 9 per cent higher as the rupiah steadied and regional markets bounced.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Ireland	ISEQ Overall	4246.43	4145.44	4215.89†	4303.84 7/1/98	2725.07 2/1/97	2.1	19.8

Good start to the results season helped shares advance 2.5 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Israel	Mishtanim 100	269.28	264.07	(c)	311.76 6/8/97	214.15 2/1/97	na	na
Italy	BCI Comit. 30	264.61	261.77	262.33	264.68 7/1/98	155.74 2/1/97	1.72	22.6
	Banca Com Ital	1125.47	1098.68	1101.41	1125.98 7/1/98	680.42 2/1/97		
	Mibtel General	17859.0	17633.0	17680.0	17859.00 13/1/98	10498.00 2/1/97		

Broker tip lifted Banca di Roma 8.2 per cent, but shares ended off their session best.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Japan	Nikkei 225	14755.94	14664.44	14995.10	20681.10 16/6/97	14664.40 12/1/98	0.59	38.7
	Nikkei 300	224.94	224.85	230.71	303.71 28/7/97	224.85 12/1/98		
	Topix	1121.62	1120.61	1149.19	1560.28 26/6/97	1120.61 12/1/98		
	2nd Section	1174.15	1185.02	1193.31	1848.26 30/6/97	1160.56 24/12/97		

Buoyed by the regional updraft, but brokers remained sceptical of further recovery

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Jordan	Amman SE	(u)	(c)	(c)	- -	- -	na	na
Malaysia	KLSE Comp.	503.89	477.57	491.60	1271.57 25/2/97	477.57 12/1/98	3.38	9.2

Sustained buying on the back of Wall Street's rebound spurred the index to a 5 per cent gain

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Mexico	IPC	4720.49	4686.89	4547.74	5369.48 21/10/97	3359.46 3/1/97	1.78	14.6
Morocco	CASA	668.74	670.28	(c)	689.75 23/4/97	451.98 3/1/97	na	na
Netherlands	CBS TtlRtnGen	1067.8	1045.2	1070.2	1184.60 7/8/97	730.80 2/1/97	2.21	20.5
	CBS All Shr	612.2	598.2	613.5	684.40 7/8/97	429.80 2/1/97		

Pent up demand as a result of Monday's technical stoppage helped send shares higher.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
New Zealand	Cap. 40	2214.52	2212.83	2269.28	2635.48 22/10/97	2162.01 28/10/97	4.08	3.3

Closed flat after a bearish IMF report on the economy took wind out of the market's sails.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Nigeria	SE All-Share	6425.79	6416.18†	6433.16	- -	- -	na	na
Norway	Oslo SE Ind	1955.32	1907.13	1996.82	2287.56 22/10/97	1689.03 2/1/97	1.75	14.3
Pakistan	Karachi SE	1531.98	1502.20	(u)	2067.98 22/10/97	1341.31 7/1/97	na	na

Correction pushed the market up 2 per cent, but weak fundamentals and a lack of foreign funds kept sentiment weak.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Peru	Lima Gen	1668.82	1657.23	1671.81	2269.40 10/7/97	1429.70 2/1/97	na	na
Philippines	Manila Comp	1590.99	1532.97	1518.00	3447.60 3/3/97	1518.00 9/1/98	1.47	10.1

The peso continued to recover, prompting a wave of bargain-hunting as the index rose 3.8 per cent

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Poland	WIG	13531.3	13229.8	14065.5	18339.40 18/2/97	13228.80 12/1/98	0.58	11.4

Shares rallied, but sentiment stayed weak as worries about trade deficit resurfaced.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Portugal	BVL 30	3962.38	3911.62	3958.76	3992.42 6/1/98	2165.57 2/1/97	1.15	37
	PSI 20	9335.10	9115.98	9338.17	9394.05 6/1/98	5152.34 2/1/97		
Russia	RTS	341.76	319.02	372.46	571.66 6/10/97	213.38 6/1/97	na	na

Monday's 14 per cent fall was turned into a 7.1 per cent rise. Lukoil improved 6 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Singapore	SES All-S'pore	353.53	324.92	351.01	573.03 17/2/97	324.92 12/1/98	2.66	13.1
	Straits Times	1156.52	1073.47	1176.35	2271.88 20/1/97	1073.47 12/1/98		

Banking and property stocks soared, leading the way for the broader market. OCBC Bank jumped 11 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Slovakia	SAX	154.73	165.60	177.40	208.64 21/3/97	164.73 13/1/98	na	na
South Africa	JSE Gold	730.0▼	697.4	726.3	1588.10 27/2/97	670.10 5/12/97	2.8	12.7
	JSE Indl.	6857.5▼	6715.1	7163.8	9314.20 7/8/97	6715.10 12/1/98		

Golds and industrials rose strongly. Arbitrage pressures left Gencor off 4.2 per cent

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
South Korea	KoreaCmpEx**	463.74	456.20	414.00	792.29 17/6/97	350.68 12/12/97	2.61	13

Rose in heavy trade on continued foreign buying. Smaller companies gained most with 572 shares hitting limit highs.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Spain	Madrid SE	653.67	645.14	650.83	660.07 5/1/98	434.54 2/1/97	2.26	22.1

Foreign buying lifted shares. Telefónica rose 3.3 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Sri Lanka	CSE All Share	699.20	(c)	705.00	889.70 31/7/97	608.70 2/1/97	na	na

Heavy foreign selling dragged the market below the psychological 700-point barrier, in spite of the regional uptrend.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Sweden	AffarsvarldnGen	2863.3	2853.1	2974.8	3315.80 7/8/97	2378.50 2/1/97	1.65	20.4

Shares ended off the best of the day. Forestry stocks slipped 0.9 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Switzerland	SMI Index	6169.3	6062.1	6251.8	6387.00 5/1/98	3922.90 7/1/97	1.16	23
	SPI General	3840.5	3781.36	3893.94	3872.97 7/1/98	2508.22 6/1/97		

Active insurance sector helped send overall market ahead by 2 per cent.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Taiwan	WeightedPr.**	7513.24	7375.14	7737.20	10116.80 26/8/97	6844.75 6/1/97	1.39	22.3

The index recorded its first gain of the year as regional and US surges rekindled confidence.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Thailand	Bangkok SET	348.96	339.17	349.67	858.97 22/1/97	264.20 24/12/97	6.11	10.3

Promising domestic current account data and the regional market upswing boosted the index by almost 3 per cent

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Turkey	IMKB Nat 100	3413.93	3199.67	3587.11	3711.40 5/1/98	995.00 2/1/97	1.63	20.7

Shares bounced but investor mood stayed cautious with trading 11 per cent lower than on Monday.

Country	Index	Jan 13	Jan 12	Jan 9	1997/98 High	1997/98 Low	Yield	P/E
Venezuela	IBC	7291.36	7198.77†	7854.57	10817.10 17/10/97	6061.99 12/3/97	na	na
Zimbabwe	ZSE Industrial	8283.68	8173.45	7989.27	12082.00 5/8/97	6601.51 18/12/97	na	na
WORLD	FT/S&P World(S)	(u)	242.08	243.98	268.47 7/10/97	218.61 14/4/97	na	na
	MS Capital Intl$	905.5*	896.5	902.9	981.80 31/7/97	784.50 14/4/97	na	na
CROSS-BORDER	Eurotrack 100	2679.33	2662.62	2759.51	2794.80 7/8/97	1883.80 2/1/97	na	na
	FTSE E100	2270.72	2236.40	2287.28	2377.06 5/1/98	1582.98 2/1/97	na	na
	HSBC JC Dragn	(u)	189.25	204.71	434.83 8/8/97	189.25 12/1/98	na	na
	ING Brngs Emrg	128.05	125.19	132.53	198.81 9/7/97	125.19 12/1/98	na	na

** Sat Jan 10: Taiwan Weighted Price (c) ; Korea Comp Ex 440.78. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jan 13 - 4150.01 +15.37. † Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation. Yields and P/E ratios are based on Datastream Total Market Indices. § Midsession.

NASDAQ NATIONAL MARKET

4 pm close January 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close January 13

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.25	-0.125	1900	8.25	2.25
Algol	ITL13350		0	13350	12450
Artwork Systems	US$7	-0.125	2950	11.125	5.875
Chemunex	FFr10.5		20000	18	10
City Bird Holding	US$7.75	-0.1875	3030	8.25	6.8125
Dobonair Holdings	GBP3	-0.3	7000	7.15	2.85
Dr Solomon's *	US$32.125	-0.25	1500	36.125	17
EDAP TMS *	US$8.9375		0	9.125	6.5
ESAT Telecom *	US$14.375	+0.125	0	15.25	13.25
Espace Prod. Int.	FFr89.75	-0.7	5700	117	88.83
Esprit Telecom *	US$10.875		2100	12.25	4.875
Gruppo Formula	ITL17200	-100	13000	22500	16400
Innogenetics	US$28.125	-1.625	206714	29.75	9.875
Integr. Surg. Syst.	DEM7.7	+0.1	0	12.1	7.4
Lernout & Hauspie	US$45.5	-1.875	22492	58.625	25
Melexis	US$7.75		2500	9.125	7.1875
Mercer Int'l	US$8.375	-0.25	0	12.875	8
NTL	US$27.375	-0.75	1000	29	20.5
Option Int'l	US$11.75	-0.25	10157	12.125	10.375
PixTech	US$2.75	-0.125	1000	6.125	2.125
Schoeller-Bleckmann8	Sch1105	-138	13500	1692	900
Topcall Int'l8	Sch5043	-45	2065	6108	3085
Turbodyne Technol.8	US$3.25	-0.08	0	6.25	2.55

Prices for 13/1/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel 32-2 / 227 65 20) and in London (Tel 44-171 / 489 9990)

Recovery may prove a false dawn

WORLD OVERVIEW

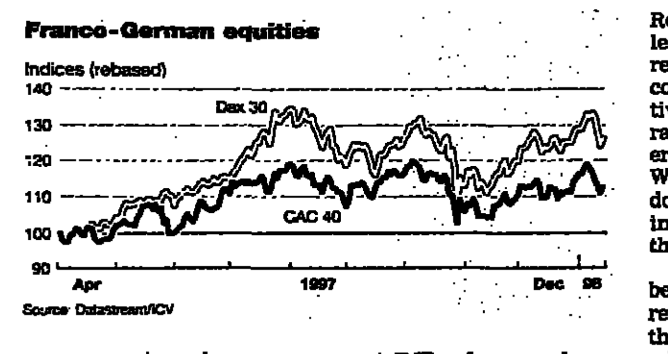
A measure of equanimity returned to equity markets yesterday as investors decided Monday's Peregrine-inspired crashes, particularly in Asia, were overdone, *writes Michael Morgan*.

Wall Street also played a supportive role as its overnight rally brought back a measure of confidence after the 4 per cent tumble seen during the final two trading sessions of last week.

In Asia, Monday's big losers were among yesterday's winners. Hong Kong and Singapore both recouped more than 7 per cent. Jakarta did even better with a 9 per cent rebound as comments by visiting IMF officials and Lawrence Summers, the US deputy treasury secretary, raised hopes that the Indonesian government would implement IMF reforms and, perhaps, additional measures to shore up the economy.

In Europe, Frankfurt made an enthusiastic start to the day but was subsequently unable to maintain the pace.

Franco-German equities



Source: Datastream/ICV

Reports that several of the leading German banks had rescheduled loans to Asian countries were seen as positive by the market. Paris did rather better as the recoveries seen in Asia and on Wall Street unlocked the door for the return of foreign investors, conspicuous by their absence recently.

However, in spite of the better tone, many analysts remained cautious, warning that the day's developments might prove no more than a false dawn. Strategists at an investment conference in Germany were even more downbeat. They warned investors to steer clear of Asian markets for the time being. Instead they recommended a substantial weighting in Europe, but only with the caveat that this was not the right time to enter new market positions.

Meanwhile, a new survey suggests that fund managers were already adopting an increasingly negative view of emerging markets during the final quarter of last year.

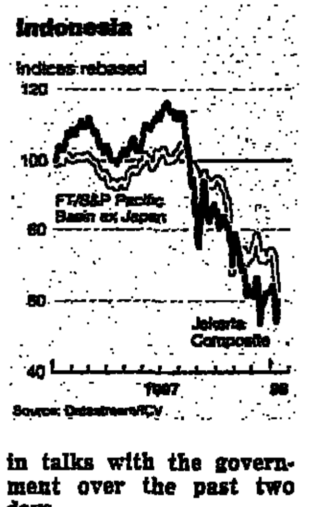
The survey for Burson-Marsteller, the communications consultancy, found that only half of fund managers were positive towards global emerging markets, compared with 80 per cent in the third quarter, while 35 per cent were negative, up from 20 per cent.

Jakarta rises 9% on IMF hopes

Shares rose strongly in Jakarta as investors decided the government was likely to stand by its commitment to implement IMF reforms and might also implement additional measures to shore up the economy.

The composite index rose 31.9 or 9.1 per cent to 382.14, encouraged by positive statements from senior IMF officials who have been in talks with the government over the past two days.

Indonesia



Source: Datastream/ICV

Since the close on Friday the index has now risen almost 12 per cent on improving investor sentiment. Last week, it lost 17 per cent over concerns about the reform process and political instability.

Investors derived further encouragement from the relative stability of the rupiah in the currency markets, which dealers said were likely to remain quiet ahead of Thursday's announcement by the government of the outcome of its IMF talks.

Investors are hoping that Mar'ie Muhammad, finance minister, will choose this moment to announce measures to boost confidence in the country's economy.

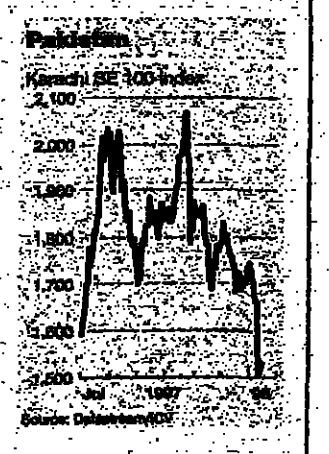
Shares rose across the board, but the biggest gains were seen in the largest, most liquid stocks. Telkom, the telecoms utility, gained Rp450, or 16.2 per cent, to Rp3,225.

EMERGING MARKET FOCUS

Pakistan slowed by internal strife

Pakistan's share prices rose almost 2 per cent yesterday, halting a week-long trend of falls. The KSE-100 index closed at 1531.98, up 29.78 on the day.

Pakistan



Source: Datastream/ICV

However, the index was still more than 200 points, or roughly 12 per cent, below where it stood when trading began this month.

Economists attributed yesterday's recovery mainly to short-covering. They said the underlying trend would remain weak, driven by woes over Asia, Pakistan's weak economic outlook, and concerns over the country's internal security conditions.

Before yesterday's recovery, share prices fell badly over two consecutive days, mainly triggered by far eastern volatility. Pakistani analysts say large-scale devaluation across Asia would eventually force Pakistan to follow with a devaluation of its rupee, in order to make its exports more competitive.

The prospect of a devaluation has further subdued the market's short-term outlook as investors wait for the exchange rate change to take effect before converting their foreign currency holdings in to local currency.

Pakistan's liberal foreign exchange laws allow locals to deposit foreign exchange at bank accounts across the country without any restrictions. It is therefore convenient for market investors to swap local currency for foreign exchange.

Some analysts said the weak sentiment has also been driven by worries over the government's handling of the economy.

They add that a sharp fall in Pakistan's international trade deficit in November does not necessarily reflect an improvement in the economy's outlook.

The deficit fell from $311m in October to $71m, down from $300m during the same month (November) a year before.

However, the improvement came largely due to a sharp fall in imports, which reflected weak demand from industry.

Many analysts are also anxious about the government's ability to turn round the economic outlook through reforms in a number of areas, especially in tax administration and agriculture.

The government is under pressure to improve its performance on tax collections during the second half to meet the target of reducing the budget deficit to 5 per cent of GDP – a cornerstone of an IMF loan programme.

The agriculture sector, which contributes almost a quarter of annual GDP output, has also been hit badly because of the failure of the cotton crop and losses in the rice harvest.

Investors are equally perturbed over the worsening internal security environment, which this week saw the killing of 23 followers of the Shia Moslem sect in a massacre believed to have been carried out by members of a Sunni group.

Market analysts say continuing violence has added to anxieties.

Corporate growth is bound to suffer if security conditions worsen and industrial or business growth becomes subject to growing fears.

Farhan Bokhari

US equities continue to move higher

AMERICAS

US stocks extended Monday's rally in midsession trading, continuing their recovery after last week's deep sell-off, *writes John Labate in New York*.

Investors returned to many recently battered sectors, including computer-related companies and financials, sending all the market's main indices higher. By 12.30 the Dow Jones Industrial Average had climbed 39.86 at 7,687.04. The broader Standard & Poor's 500 index gained 7.33 to 946.54.

"The tech sector is far and away leading the pack here, and unlike yesterday we have some broadening out," said Bill Meehan, chief market analyst at Cantor Fitzgerald in Connecticut.

As technology stocks rose, the Nasdaq composite index surged 23.34 or 1.6 per cent to 1,530.92. Small company shares also joined in, as the Russell 2,000 index rose more than 1 per cent.

Semiconductor chip makers surged in anticipation of Intel's quarterly report, due later in the day. Micron Technology leapt nearly 10 per cent or $2 11/16 to $31 1/4. Motorola, which reported slightly lower than expected earnings late on Monday, rose $5 1/2 to $55 1/4.

Among the Dow stocks, Travelers Group surged $2 1/16 or more than 5 per cent to $49 5/8 and AT & T rose $2 1/8 to $64 9/16.

As stock markets around the world recovered yesterday, US Treasury bond prices eased, especially among shorter-term issues.

By early afternoon the benchmark long bond had fallen 1/16 at 105 23/32, sending the yield higher at 5.714 per cent.

Shares of Gillette were down $11/16 to $100 3/4 on a report that Kohlberg Kravis Roberts was considering a sale of shares.

TORONTO was firm at midsession, playing catch-up after New York's late rally on Monday. The TSE-300 composite index rose 70.44 or 1.1 per cent to 6,310.40 in volume of more than 34m shares.

The gold and precious minerals sector traded 1.9 per cent higher in morning business while the heavily weighted financial services sector also boosted the market, gaining almost 1.4 per cent.

Diamondworks picked up 10 cents at C$1.40 as the company said that it hoped to more than double its total production of alluvial diamonds in Angola by the end of the year.

Financials lead strong rally in Amsterdam

EUROPE

Dutch equities were among the strongest in Europe yesterday. AMSTERDAM regained virtually all of Monday's losses in brisk trade, closing just short of its session-high, with the AEX index up 19.59 or 2.2 per cent at 911.54.

The dollar reasserted itself in the foreign exchanges and volume moved up a gear, partly on the improved tone worldwide but largely as a result of follow-through business from the previous day when trading was brought to an early halt by technical problems.

Financials were in the van of the rally with Aegon jumping Fl 6.90 or 3.7 per cent to Fl 193.40 and ABN Amro adding 70 cents at Fl 39.40 in 6.8m shares traded. Internationals were also in demand, in line with the better trend on Wall Street. Philips rose Fl 2.20 to Fl 116.20.

Among publishers, there was said to be switching out of Elsevier into VNU, which jumped Fl 3.60 or 6.9 per cent to Fl 55.40.

FRANKFURT closed significantly short of its best levels, with the Xetra Dax ending a bare 16.06 ahead at 4,150.01 at the close of electronic trading. The best of the day was 4,209.48.

Banks, which were among the heavier casualties, were active amid talk of some institutions teeing up plans for a rescheduling of Asian lending. Deutsche Bank added DM1.20 at DM31.20.

Software leader SAP rose DM4.70 to DM572.70 after Monday's announcement of upbeat expansion plans.

Cyclicals came in for most of the day's selling. Preussag fell DM7.20 to DM537.80, Linde DM8.90 to DM1,056 and MAN DM1.15 to DM505.15. Deutsche Telekom was also weak, slipping DM1.10 at DM31.20.

PARIS crept back above the 2,900-point level. Volume was dull by recent standards, but the CAC 40 index closed 40.39 higher at 2,902.93 after touching a session-best of 2,914.60.

Motor-related stocks threw up some interesting performances with Michelin bounding ahead but Valeo, which rose against the trend on Monday, sliding lower with equal velocity.

Michelin was caught in talk of a new plant following a French press report that suggested both additional capacity and new tyre technology. The shares added FFr16 at FFr289.80. Valeo came off FFr19 at FFr401.

ZURICH rebounded although many investors remained cautious and the SMI index recouped 107.2 or 1.8 per cent to 6,169.3.

Insurers, hard hit on Monday, were among the best performers. Zurich Group climbed SFr43 to SFr693 as one broker put out a price target of SFr850 within 12 months. Swiss Re rose SFr72 to SFr2,767.

Asia-related stocks, such as the pharmaceuticals, were also in demand. Roche certificates rose SFr170 to SFr14,120 while Novartis added SFr50 to SFr2,360.

MILAN ended off its session-highs with the Mibtel index closing 226 better at 17,859, having touched 18,102 earlier in the day.

Telecom Italia rose L344 to L12,435, helped by the appointment of Gian Mario Rossignolo as chairman. Local broker Euromobiliare said the stock was catching up after having lagged behind the market and could reach L14,000 in the short term.

Telecom Italia Mobile rose L49 to L8,291, helped by a Morgan Stanley upgrade.

Olivetti gained L97 to L1,390 on news that it will launch a long-awaited capital increase on Monday.

MADRID saw investors buying domestic earners and cyclicals, the latter recovering after Asian-related falls on Monday.

Steel stocks gained sharply, with Acerelia gaining Pta130 or 8 per cent to Pta1,765. Other metals stocks also rebounded, with Acerinox up Pta850 at Pta22,500 and Asturiana de Zinc advancing Pta50 to Pta2,080.

Overall, the general index gained 8.73 to 653.87.

HELSINKI gained 2 per cent, helped by a firm performance from technology heavyweight Nokia, which gained FM9.90 to FM378, following well received fourth-quarter earnings from US rival Motorola on Monday.

This eased fears that Asia's crisis could hit mobile phone sales. The general index ended 65.69 better at 3,286.13.

Eastern European markets mainly rebounded after Monday's losses. MOSCOW gained 7.2 per cent while BUDAPEST picked up 3.2 per cent.

BUCHAREST bucked the trend on political worries, with the BET index losing 3.8 per cent to 714.54.

Written and edited by Michael Morgan, Jeffrey Brown, Jonathan Ford and Peter Hall.

FTSE Actuaries Share Indices — European series

January 13

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	986.35	+1.48	+14.42	2.28	0.00	994.28
FTSE Eurotop 100	2270.72	+1.53	+34.32	–	–	–
FTSE Eurotop 300 Regions						
300 UK	997.08	+1.94	+18.95	3.18	0.00	1014.15
300 Ex-UK	980.62	+1.22	+11.84	1.74	0.00	983.60
300 Eurobloc	959.83	+1.24	+11.74	1.95	0.00	963.89
300 Ex-Eurobloc	1007.74	+1.65	+16.39	2.48	0.00	1018.54
FTSE Eurotop 300 Economic Groups						
Resources	898.64	+2.29	+20.09	3.05	0.00	911.85
General Industries	896.76	+0.49	+4.33	2.18	0.00	898.97
Consumer Goods	993.52	+1.71	+16.69	1.84	0.00	1004.24
Services	983.32	+1.26	+12.25	2.29	0.00	991.79
Utilities	1067.62	+1.62	+17.01	2.62	0.00	1081.65
Financials	1056.46	+1.74	+18.07	2.18	0.00	1062.56

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop Indices are compiled by FTSE International. © FTSE International Limited 1998. All rights reserved.

Mexico falls off highs

MEXICO CITY opened brightly but then came off its highs, tracking Wall Street. By midsession, the IPC index was 23.34 higher at 4,710.13, having been as much as 66.35 higher.

Concerns about the US fourth-quarter earnings season, now under way, kept eyes trained on New York, traders said. Asia's crisis is expected to have an impact on US companies.

SAO PAULO gained almost 3 per cent in morning trade, buoyed by recoveries in Asia and a positive start on Wall Street.

At the midday point the Bovespa index was 271 better at 9,498. Telecoms utility Telebrás gained R$3.60 to R$119.60.

BUENOS AIRES rose in line with its neighbours. At midsession, the Merval index had risen 21.51 to 601.32.

S Africa golds climb 3.2%

Johannesburg went along with the global rebound although it failed to hold on to the day's best levels. Nonetheless, the overall index finished 95.0 or 1.7 per cent higher at 5,691.6 while industrials rose 142.4 or 2.1 per cent at 6,857.5. Golds did even better with a rise of 22.3 or 3.2 per cent at 719.7.

Gencor lost 4.2 per cent at R6.90 as investors switched to futures in an arbitrage trade. Gold Fields firmed 0.7 per cent to R68.50 as it and Gencor said their shareholders had approved their merger plan.

Hong Kong bounces back 7%

ASIA PACIFIC

HONG KONG bounced back after Monday's sell-off on the view that the market's reaction to the Peregrine crisis had been overdone. The Hang Seng index wiped out much of Monday's hefty losses, adding 598.94 or 7.4 per cent to end at 8,720.00.

Softer local interbank rates and Wall Street's overnight gains lent support, as did the more positive performance elsewhere in the region. Even the government's first 1998 land auction, which failed to live up to expectations, failed to dent the enthusiasm.

Index heavyweight HSBC Holdings was in the forefront, rising HK$9 to HK$167.50 in spite of news that Moody's, the US credit ratings agency, might cut the bank's short-term ratings.

CLP Holdings added HK$4.40 to HK$39.20 after Moody's said it may cut the company's Prime-1 short-term foreign currency rating.

Among the most heavily traded issues, Hong Kong Telecom gained HK$1.60 to HK$14.45 and Cheung Kong closed HK$2.50 higher at HK$36.10. Sun Hung Kai Properties firmed HK$3.10 to HK$36.20.

TOKYO regained some lost ground, although trading stayed nervous. The Nikkei 225 average gained 91.50 to 14,755.94 after moving between 14,546.25 and 14,900.90, *writes Michiyo Nakamoto in Tokyo*.

CHANGES ON THE DAY

	% change
Jakarta	+9.1
Singapore	+7.7
Hong Kong	+7.4
Kuala Lumpur	+5.5
Manila	+3.8
Bangkok	+2.9
Taipei	+1.9
Seoul	+1.7
Sydney	+0.9
Tokyo	+0.6
Wellington	+0.1

While an absence of negative news helped to maintain nerves, the consensus was the upturn represented a reshuffling of portfolios rather than a return of confidence.

Stability in other Asian markets and the rise on Wall Street were helpful. But buying of international blue-chip issues by public fund managers was countered by profit-taking by foreign investors.

Advances outpaced declines by 586 to 486 with 181 issues remaining flat. Turnover improved to about 400m shares compared with 316.43m on Monday. The Topix index, which covers all first section issues, inched up 1.01 to 1,121.62.

Attention was drawn to blue-chip issues which tend to be favoured by the more conservative public fund managers.

TDK, which makes storage equipment like audio tapes and floppy discs, was up Y100 to Y9,000 while Fanuc, maker of factory robots, climbed Y100 to Y4,700. Nikon, maker of cameras and semiconductor manufacturing equipment, rose Y20 to Y1,300.

Among other blue-chip companies, Bridgestone rose Y90 to Y2,970 and Fuji Photo Film Y100 to Y5,100.

There was a widespread belief among traders that yesterday's gains could prove short-lived. The Nikkei 225 is still expected to test its recent low point of 14,485.41. In Osaka, the better sentiment in Tokyo failed to materialise. The OSE average declined 18.29 to 14,462.49 – the seventh fall in the past seven trading days – amid directionless trading. Volume was sluggish at 21.8m shares.

SINGAPORE rallied strongly after a six-day decline of more than 50 per cent. Property stocks led the upturn with the sector gaining 12 per cent. The Straits Times index ended up 83.05 or 7.7 per cent at 1,158.52.

Along with regional currencies generally, the Singapore dollar bounced in the foreign exchanges and sparked steady buying of equities.

Bank mergers were a strong rumour following the news that Tat Lee and Keppel were to link. Overseas Union rose 34 cents to S$3.96 and OCBC gained 60 cents to S$8.05.

KUALA LUMPUR shared in the recovery for Asian markets but volume stayed weak. The ringgit rallied against the dollar and the composite index closed up 26.32 or 5.5 per cent at 503.69.

Dealers said buyers were thin on the ground with a technical rebound supplying the main driving force.